



## Third Taxing District

2 Second Street  
East Norwalk, CT 06855

Tel: (203) 866-9271

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### Third Taxing District of the City of Norwalk

#### Commission Meeting

**Monday, February 11, 2019 at 7:00p.m.**

At the Third Taxing District Office, 2 Second Street, East Norwalk, CT

1. Public Comment – 15 Minute Limit
2. ENNA Request for Community Shredding Event – A/R (Pgs. 1-2)
3. CMEEC Update (Pgs. 3-162)
4. CMEEC Microgen Project Reallocation – A/R (Pgs. 163-180)
5. Minutes of Meeting – January 7, 2019 Regular Meeting (Pgs. 181-190) and  
February 4, 2019 Special Meeting (Pgs. 191-195) – A/R
6. Discussion/Analysis of Financial Statements/Key Performance Indicators (Pgs. 196-205)
7. District Budget Presentation – A/R (Pgs. 203-214)
8. Annual Meeting Packet Review (Pgs. 215-220)
9. General Manager's Report
10. Project Summary (Pgs. 221-230)
11. Adjourn

\*A/R – Action Required/See Attached Motion

Agenda backup material is available at the TTD office, [www.ttd.gov](http://www.ttd.gov) and will be available at the meeting.

M:\Shared\ Commission Meeting Information\Agenda 2-11-19.doc

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#### *District Commissioners*

**Johnnie Mae Weldon**  
**Debora Goldstein**  
**Pamela Parkington**

203-216-2652  
203-252-7214  
203-858-4261

Chairperson  
Commissioner  
Commissioner

**Kevin Barber**  
**Ron Scofield**

203-866-9271  
203-866-9271

General Manager  
Assistant General Manager  
Treasurer

## Cynthia Tenney

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**From:** East Norwalk Neighborhood Association (ENNA) <info@eastnorwalk.org>  
**Sent:** Friday, January 18, 2019 1:26 PM  
**To:** Cynthia Tenney; Ron Scofield  
**Cc:** John Deacy; Jane Broome; Sarah Hunter; Marija Bryant; Roberta DiBisceglie; Mark Albertson; laurel lindstrom; plibre; Sylvia Archibald; Sarah Amato-Mills  
**Subject:** TTD agenda request ENNA Community Shredding Event

Hi Ron and Cynthia,  
Diane Cece here.

I would like to request an agenda item at next TTD Commission meeting ( not sure of date). Can you please forward to full Commission?

**BACKGROUND:** East Norwalk Neighborhood Association (ENNA) is excited to announce we are coordinating what we hope becomes an annual East Norwalk Community Shredding Event.

Document shredding is not offered by the city, and ENNA sees it as a convenient service; an environmentally friendly option; and a worthwhile endeavor in this age of identity theft.

The event would be FREE for first 2 grocery bags or banker boxes for 06855 residents ONLY, with a nominal fee should other zip codes show up. No businesses or organizations

Though we would like to provide this event with other partners, we are willing to fund and coordinate the inaugural event and then evaluate its success to repeat in the future. However, our Board might request a modest grant from TTD this to help defray our costs. And also to help us spread the word.

**REQUEST:** Recently we asked the East Norwalk Library Board for use of the parking lot from 9am to 12pm on Saturday April 27th. We're delighted that our preferred date is not only available with the vendor but also corresponds with Earth Day Week and the Annual Keep Norwalk Beautiful Day.

Though the library is not in a position to partner with ENNA financially, their Board and Executive Director have approved our request, and will support the event with publicity in their newsletter, emails, and social media.

At this time the ENA Library Board has asked ENNA to be sure we get the approval of TTD in your role as property owners.

We would like to ask the Commission to consider and approve our request at their earliest opportunity so that we may finalize the contract with the shredding vendor.

On behalf of the Board of ENNA, thank you in advance for support of community events, and please don't hesitate to let us know if additional information is required prior to your meeting.

Sincerely,  
Diane Cece  
Board

Sent from my Samsung Galaxy smartphone.



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### Third Taxing District Application for Contribution from District Funds

This completed application will be reviewed for eligibility by District Staff and for approval by the Third Taxing District Commission. All information will be subject to review and dissemination under the state's FOI regulations for public records.

<b>Overview</b> <ul style="list-style-type: none"> <li>District funds are maintained from the proceeds (when available) of the Third Taxing District Electric Department under a budget that is approved by the electors of the District at the annual meeting.</li> <li>Distributions from the District funds are intended to primarily benefit residents, businesses and rate-payers of the Third Taxing District.</li> <li>District funds are not intended to help with individual financial hardship requests, except as administered through a designated agency funded for that purpose.</li> <li>Decisions regarding fund disbursements are dependent upon timely, properly documented requests that meet the requirements of the "Third Taxing District Policy on Contributions from District Funds" and any applicable governing documents.</li> <li>All determinations made by the Commission shall be final and binding, and shall be made by the Commission in its sole discretion.</li> </ul>	
Full Name: <b>Diane Cece</b>	Date of Application: <b>2-4-19</b>
Legal Address: <b>ENNA - 20 Raymond Terrace Norwalk CT 06855</b>	Needed by:
Organization: <b>EAST NORWALK NEIGHBORHOOD ASSN</b>	Preferred Phone#: <b>203-854-6930</b>
Amount Requested: <b>\$0 IN KEM PROPERTY USE</b>	Preferred Email: <b>info@eastnorwalk.org</b>
Describe in detail your reason(s) for this request. <b>To host an East Norwalk community document shredding event          April 27<sup>th</sup> 2019 - (EARTH DAY WEEK / KEEP NORWALK BEAUTIFUL DAY)          Requesting use of ENA Library parking lot for 4 hours total          for onsite shredding &amp; encourage recycling, security.          Free for 06855 residents up to 2 boxes. fee for others, ENA approved.</b>	
<b>Attestation</b> (check boxes) <b>Qualified</b> <input checked="" type="checkbox"/> I attest that my organization meets the stated requirements for a contribution from District funds and that this request is made to primarily benefit residents, businesses or rate-payers of the District. <b>No Conflict</b> <input checked="" type="checkbox"/> I attest that neither my organization, nor any individual associated with this request, represents a conflict of interest for any of the Commissioners, the Treasurer, the District Clerk or any of the employees of the Electric Department.	
Should your request be approved, will you consent to be publicized? Y <input checked="" type="checkbox"/> N <input type="checkbox"/>	
By signing below, I verify that I understand the purpose of the Third Taxing District Funds and the requirements for contributions from these funds. I verify that the information provided in this application is true to the best of my knowledge.	
Signature of authorized representative: <b>Diane Cece</b>	Date: <b>2-4-19</b>



## Third Taxing District

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### Memorandum

**To:** TTD Commissioners  
**From:** Kevin Barber – General Manager  
**Date:** February 6, 2019  
**Subject:** CMEEC Update

At the Monday, February 11<sup>th</sup> Commission meeting, Michael Lane, CMEEC's Interim CEO will be joining us. Mr. Lane has expressed interest in meeting the Commission and he will partake in the CMEEC Update discussion.

The CMEEC Update agenda item will consist of the following items:

- Update on the rating agency
- CMEEC Forensic Examination (copy enclosed)
- Legislation proposed that may affect CMEEC
- Question and Answer period with Mr. Lane

Included in the board booklet is information relating to the above topics.

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Debora Goldstein 203-252-7214  
Pamela Parkington 203-858-4261

Chairperson  
Commissioner  
Commissioner

Kevin Barber  
Ron Scofield

203-866-9271  
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General Manager  
Assistant General Manager  
Treasurer

**CREDIT OPINION**

27 December 2018

 **Rate this Research**
**Contacts**

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# Connecticut Municipal Electric Energy Coop.

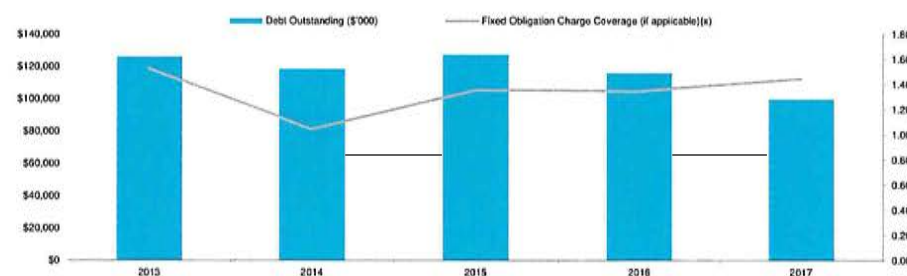
## Update to credit analysis

**Summary**

Connecticut Municipal Electric Energy Cooperative's (CMEEC; Aa3 stable) credit profile reflects the existing strength of creditworthiness we associate with CMEEC's members and participants, its well maintained power supply portfolio, and efficient transmission service operations. The efficient supply and transmission services help keep member/participant rates reasonably competitive versus other suppliers in the region. The credit profile also benefits from the satisfactory legal protections afforded by the myriad of contractual agreements that CMEEC has with members and participants. Additionally, liquidity, coverage and debt ratios remain strong as debt continues to amortize. While the foundation of CMEEC's credit profile remains intact, recent indictments brought against several senior officials represent credit risk for CMEEC. We remain wary of the potential for additional negative credit effects from the outcome of an ongoing independent investigation relating to the indictments.

Exhibit 1

**Debt outstanding is declining while the fixed obligation charge coverage remains relatively stable**



Source: Moody's Investors Service

**Credit Strengths**

- » The General Obligation (GO) credit quality of CMEEC's members and participants ranges from Aaa to Aa3; weighted average rating after our notching, where applicable, is A1
- » Member/participant retail rates are unregulated and typically fare reasonably well in comparison with the local IOU and other utility service providers in Connecticut
- » Power supply costs for CMEEC's power purchasers benefit from operating efficiency strategies and manageable debt service resulting from historical debt refunding transactions



- » Sound legal protections exist for CMEEC's power supply system and transmission system revenue bonds and strong all requirements, take or pay contractual arrangements with members and other power supply contractual relationships with participants
- » Sound liquidity ensures flexibility in managing market risks as CMEEC buys and sells power in the open market
- » No needs for incremental debt

### Credit Challenges

- » Recent indictments raise questions about internal controls and governance and could create tension between CMEEC and its participants and more challenging counterparty business relationships
- » Potential natural gas price volatility and resulting periodic exposure to collateral posting requirements for fuel hedge and power supply agreements
- » Pierce Unit is held to high operating standards as a quick-start peaking unit in the Independent System Operator - New England, Inc. (ISO-NE) market, and any outages or underperformance could result in costly financial penalties
- » CMEEC primarily relies on a portfolio of long, intermediate and short-term power purchase contracts from suppliers in the Northeast, as well as owned peaking generation, which exposes it to moderate carbon transition risk
- » Modest concentration in several large customers served by City of Groton and Bozrah Light and Power (BL&P)

### Rating Outlook

The stable outlook is based on the stable credit position of CMEEC's members and participants, the transmission cost benefits being derived from the transmission assets owned through the affiliated Connecticut Transmission Municipal Electric Energy Cooperative (TRANSCO), sound risk management practices, and the good liquidity profile. The outlook also assumes no undue pressures from the ongoing independent investigation of the indictments nor resulting from Wallingford's decision not to extend its contract relating to the MicroGen project which expires at the end of 2018.

### Factors that Could Lead to an Upgrade

- » Improvement of CMEEC member/participant credit quality

### Factors that Could Lead to a Downgrade

- » If more negative results than we currently anticipate surface from the ongoing investigation of the recent indictments
- » Material CMEEC member/participant credit quality decline
- » If unexpected operating and financial pressures result from Wallingford's recent decision to opt out of its unit power sales contract relating to the MicroGen project which expires December 31, 2018; Wallingford has a similar option relating to the Pierce project contract that otherwise expires at the end of 2021
- » Challenges by any municipal utility of their take-or-pay or other contract obligations
- » If liquidity becomes strained

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for the most updated credit rating action information and rating history.

## Key Indicators

Exhibit 2

Connecticut Municipal Electric Energy Cooperative	2013	2014	2015	2016	2017
Debt Outstanding (\$'000)	126,080	118,615	127,390	116,115	99,755
Debt Ratio (%)	68.3	67.6	67.5	61.0	55.7
Adjusted Days Liquidity on Hand (incl. Bank Lines)(days)	188	213	286	376	276
Fixed Obligation Charge Coverage (if applicable)(x)	1.53	1.05	1.36	1.35	1.45

Source: Moody's Investors Service

## Profile

CMEEC is a joint action agency that is currently a full requirements power supplier to six municipal electric utilities in Connecticut (City of Groton; Borough of Jewett City; City of Norwich; Second (South Norwalk) and Third (East Norwalk) Taxing Districts of the City of Norwalk; and BL&P) and to the MTUA. The town of Wallingford ceased being a full requirements customer of CMEEC as of January 1, 2013. However, Wallingford is still responsible for all of its allocable share of costs of the Pierce Project, but has the option to opt out of the Project at the end of 2021. Wallingford has exercised its option to opt out of the MicroGen Project as of December 31, 2018. See below for further details relating to the unit sales contracts.

In 2009, CMEEC established TRANSCO, which is an affiliated legally separate, special purpose, publicly-owned, joint-action transmission entity created under CMEEC's existing statutes to acquire and own transmission assets comprising part of the regional electric grid administered by the ISO-NE. Each of TRANSCO's members is a member or participant in CMEEC.

CMEEC also provides wholesale power to entities in the New England region through Hampshire Council of Governments (HCOG) under a purchased power agreement. The power being supplied to HCOG is being utilized to serve several aggregation loads in Massachusetts and arrangements have various terms. The last two contracts have terms expiring in September 2019 and April 2021, respectively. Upon mutual agreement, those expiration dates could be accelerated. CMEEC plans to exit this line of business once the last contract expires in order to solely focus on its core business.

## Recent Developments

### Wallingford opts out of its unit sales contract relating to the MicroGen project

The town of Wallingford officially decided on December 21, 2018 not to continue its participation in the MicroGen project effective as of December 31, 2018. The decision by Wallingford, by the contract terms, results in a reallocation of Wallingford's obligations among the remaining MicroGen participants; however, the reallocation does not affect our assessment of the weighted average credit quality of the remaining participants, which is still A1.

### Recent indictments of several senior officials is credit negative

On November 8, 2018, the chief executive officer (CEO), chief financial officer (CFO) and three former members of CMEEC's Board of Directors (the Board), were indicted on federal charges relating to alleged conspiracy and misuse of CMEEC funds. The two officers are on unpaid administrative leave and the Board members are no longer serving in their respective prior capacities. The heir apparent to replace the CFO, who had previously announced his retirement, has been appointed interim CEO. An outside law firm, hired by CMEEC's Board, is conducting an independent investigation to decide the appropriate next steps. There are five CMEEC Board members who did not participate in any wrongdoing named to a Special Committee to oversee the investigation. CMEEC estimates the investigation will extend into 2019. While the indictments are clearly a credit negative development, raise governance related issues, and increase the potential for future strain on internal and external business relationships, CMEEC's core business fundamentals continue to be transacting in normal course.

## Detailed Credit Consideration

### Revenue Generating Base

CMEEC is a joint action agency that is a full requirements power supplier to six municipal electric utilities in Connecticut and to the Mohegan Tribal Utility Authority (MTUA), while also providing power to the Town of Wallingford under a unit power sales contract.



These entities provide energy to about 70,000 customers, and revenue derived from sales to these entities is usually fairly evenly distributed among residential, small and medium commercial, and large commercial and industrial customer classes, with a somewhat higher bias towards the residential class. CMEEC's total load served has ranged from approximately 1.7 - 2.2 million megawatt hours (MWh) over the past several years with year-over-year variability owing to the effects of weather and economic activity on members/participants demand.

The weighted average credit quality of members and participants after notching of the GO bond ratings where applicable declined to A1 from Aa3, mainly due to Moody's downgrade of the [City of Norwich](#) General Obligation bonds to Aa3 from Aa2. As noted above, the decision by Wallingford to opt out of its contract for the MicroGen project and reallocation of those obligations among the remaining participants does not affect the weighted average credit quality of A1. Even with the weighted average credit quality declining to A1, the municipal utilities have a near monopoly business position in their service area and rate setting is unregulated. Municipal utility retail rates have historically been reasonably competitive against other electricity suppliers in New England and that scenario remains so today. EIA data for 2017 shows the average system price of electricity for Connecticut to be 17.55 cents per KWh. CMEEC's member/participant system rates are on average 22.9% lower than the Connecticut State average system rate. We anticipate that CMEEC can maintain the competitive comparisons as CMEEC's cost structure benefits from operating cost efficiency strategies and amortizing debt.

CMEEC provides full energy and capacity requirements to its members, excluding what is derived from existing or new hydroelectric resources, primarily through long- intermediate- and short- term power purchase agreements. CMEEC also has peaking generation resources, including member resources available from a combustion turbine unit in Norwich (~16.5 MW, winter rating), the Pierce Project (~83.3 MW, winter rating), the MicroGen Project, which is comprised of 20 behind the meter units dispatched by CMEEC (~50 MW, winter rating), and 3 diesel generation units (~7.7 MW, winter rating). CMEEC will likely continue to arrange for resources consistent with historical practices to fully meet its demand, plus a substantial reserve margin. CMEEC also has an interruptible demand-side management program that can modestly lower demand based on ISO-NE market conditions. CMEEC's management remains proactive in coping with periodic variability in energy markets by relying on a well-defined risk management program. CMEEC's competitive strategy is based on engaging its board to ensure CMEEC maintains an active role in understanding and mitigating exposures in the ISO-NE markets. Since introducing the Pierce Unit, CMEEC has been in the favorable position of being both a power purchaser and a power supplier and can maximize its opportunities in the market. Being a power supplier in the market introduces some exposure to financial penalties if the Pierce Unit, which is in the market as a quick-start peaking unit, is not maintained at a high reliability level.

Some of CMEEC members face large customer dominance, which has especially been present for Groton (e.g., Electric Boat and Pfizer) and BL&P (e.g., Airgas Merchant Gases, Inc.). To partially mitigate this risk, Groton and BL&P strive to keep reasonably competitive rates and special contract arrangements with these customers that recover member distribution costs and CMEEC's fixed cost obligations on a take or pay basis. CMEEC's market position also benefits from the minimal fixed costs that might be exposed should a large customer depart, and the diverse, well-managed nature of CMEEC's power supply portfolio. While we expect that CMEEC will remain open to considering additional generation opportunities if they arise and prove to be economically viable to further diversify its resource mix, the current market conditions in the New England region makes any participation in significant generation development of new units unlikely over the medium term. That said, we expect that CMEEC will continue to consider purchase power opportunities that fit with its strategy of maintaining a mix of economically priced short- medium- and long-term contracts in its power supply portfolio.

### Financial Operations and Position

As a joint action agency CMEEC's costs are recovered in its wholesale rates charged to members pursuant to its power supply contracts and general transmission services contracts. CMEEC, as well as its members and participants can raise rates without external regulatory review, which is a credit positive factor in our analysis. CMEEC's proactive management of power supply and sales contracts in the ISO-NE market and efficient, reliable transmission service have contributed to historically satisfactory coverage and liquidity levels, as well as reasonably competitive retail rates for members. In FY 2017, CMEEC's actual all-in power costs (total of distributed generating units, Pierce and MicroGen projects and energy and capacity) were about \$95.33/MWh, compared to a regional benchmark of \$114.95/MWh. The costs for first seven months 2018 were \$101.75/MWh, which were still significantly lower than a regional benchmark of \$123.75/MWh. The increase in actual power costs for 2018 is primarily due to higher natural gas prices.



For fiscal years 2015-2017, CMEEC's fixed obligation charge coverage (FOCC) ratio averaged 1.38x. Management has indicated that it is budgeting to achieve coverage around 1.2x to ensure some cushion above the minimum required 1.1x under the bond resolution. Annual debt service requirements continue to decline owing to the benefits of past debt refunding transactions.

#### **LIQUIDITY**

While CMEEC's liquidity position can occasionally be affected by collateral posting under various fuel hedge and electric supply agreements, the utility has not had to post collateral for any of its commodity hedges since 2013. Management is currently projecting that its collateral posting requirement will remain zero. When required to post collateral, CMEEC has sometimes utilized available cash, but it has been using its bank lines for collateral postings, when required, since 2009. CMEEC's current bank lines are comprised of a \$30 million line of credit with Wells Fargo, which expires January 30, 2019 and a \$20 million line of credit with Bank of America, which expires August 1, 2020. Management is in the process of renewing the Wells Fargo credit line for the same amount for another two year term. Additionally, there are no outstanding balances on any of the lines. CMEEC's bank lines previously included a \$50 million committed five-year credit agreement with Bank of Montreal, which was being used to support the liquidity needs of CMEEC's load aggregation business. However, owing to CMEEC's plans to exit this business, the agreement was terminated in April 2018. We consider the terms and conditions of the existing credit agreements to be satisfactory as they do not contain onerous financial covenants or an ongoing material adverse change (MAC) clause. CMEEC maintains an above average liquidity position, which is reflected in the 313 days of adjusted days liquidity on hand for FY 2015-2017, including unused capacity under committed bank credit as of those fiscal year end dates. Liquidity remains an important area of focus to help CMEEC cope with periodic volatility in energy markets.

#### **Debt and Other Liabilities**

The utility's debt ratio averaged 61.4% for fiscal years 2015-2017, positioning it solidly in the "Aa" category under the rating methodology for this sub-factor. CMEEC has no plans for incremental borrowing. With no material capital investment needs on the horizon, CMEEC's debt ratio is likely to continue its improving trend while remaining within the range for the "Aa" category for that sub-factor under the rating methodology. That said, to the extent that the utility changes course and considers larger base load and other large generation opportunities (e.g., distressed generation asset purchases), there could arise substantially greater needs for future new debt funding in the long term.

Generally, the 2013 series A and B power supply system revenue bonds are secured by revenues and receipts from purchasers of power provided by CMEEC under replacement power sales contracts (RPSCs), under the Wallingford unit power sales contract, and under the existing MTUA contract, all as described further below. Under the RPSCs and the Wallingford unit power sales contract, the six purchasing members and Wallingford are required to pay their respective fixed percentage shares of CMEEC's fixed, certain administrative and general, and variable costs as defined; except that Wallingford's fixed costs shall exclude debt service on the 2013 series B power supply revenue bonds. This exception applies because the original indebtedness refunded with 2013 series B proceeds was incurred prior to Wallingford being supplied power and energy by CMEEC.

#### **Amended and Restated Power Supply System Revenue Bond Resolution:**

The amended and restated power supply system revenue bond resolution became effective upon the issuance of the 2013 series A and B bonds, which are secured by a net revenue pledge from revenues derived from the take-or-pay RPSCs with the City of Groton, the Borough of Jewett City, the City of Norwich, the Second Taxing District of the City of Norwalk, the Third Taxing District of the City of Norwalk, and BL&P, and the RPSCs will extend through at least April 2053. Wallingford and MTUA are not parties to the RPSCs (see below for further details relating to Wallingford and MTUA contracts). The 2013 Series A and B power supply system revenue bonds are also secured by a debt service reserve requirement established at maximum annual debt service, which was cash funded with bond proceeds when the bonds were issued. We consider this debt service reserve requirement a credit positive factor. CMEEC is also required to establish rates at least equal to 110% of aggregate debt service.

#### **Power Sales Agreements (PSAs)/ Replacement Power Sales Contracts (RPSCs):**

The previously existing BL&P Power Sales Contract and BL&P Unit Power Sales Contracts were terminated coincidental with BL&P executing a RPSC when it became a member of CMEEC effective January 1, 2016. We view the stronger contractual tie between BL&P and CMEEC under the RPSC to be a credit positive because it creates a take-or-pay contractual obligation for their full requirements which extends beyond the longest dated maturity of any of CMEEC's debt. The RPSCs, which became effective upon issuance of



the 2013 series A and B power supply system revenue bonds extend at least until April 2053 and require the 6 contracting power purchasers under the RPSCs on a take-or-pay basis to take their full requirements from CMEEC to serve their retail load.

#### **Wallingford Power Sales Contract / Wallingford Unit Power Sales Contracts:**

The all requirements power sales contract with Wallingford expired on December 31, 2013. Also, Wallingford does not participate in the costs associated with the TRANSCO Project and has not entered into a general transmission service contract as described in more detail below, although it is a member of TRANSCO.

Although Wallingford terminated its all requirements power sales contract effective January 1, 2013 and its unit sales contract for the MicroGen project effective December 31, 2018, it remains liable for its share of costs, including debt service for the Power Supply System Revenue Bonds, 2013 Series A, associated with the Pierce project pursuant to unit power sales contract that expires at the end of 2021; however, the unit power sales contract can be extended by Wallingford for the life of the project. During 2014-2017, Wallingford was also obligated to pay for all forward purchases made on its behalf for the three-year period, as well as to pay for an allocation of CMEEC administrative expenses proportional to the forward energy purchases made on their behalf for the same period. Wallingford has been in a dispute with CMEEC relating to payment of the administrative expenses associated with the forward energy purchases made by CMEEC on Wallingford's behalf. Arbitration proceedings are nearing conclusion and we understand that Wallingford made these payments notwithstanding the disputes. Although CMEEC believes it has firm legal grounds to collect the amounts in dispute, as of December 2018 it has reserved approximately \$2.1 million which it estimates would be sufficient to cover an adverse outcome for CMEEC.

#### **Existing MTUA Power Sales Contract / MTUA Unit Power Sales Contract:**

Since 1996, CMEEC has been providing power to MTUA by arranging for essentially all the capacity and energy required by MTUA to meet its retail electricity sales. The existing arrangement extends to December 31, 2021. MTUA also supplements this arrangement with a unit power sales contract under which it purchases a portion of the output from the Pierce Project through the end of 2021; however, this unit power sales contract can be extended by MTUA for the life of the project. The MTUA average monthly bill/receivable balance has typically been about \$1.3 million and there is no history of late payments by MTUA for this service.

With respect to the aforementioned unit power sales contracts relating to Wallingford and MTUA, the debt service on the Power Supply System Revenue Bonds, 2013 Series A will extend beyond the respective terms of the current unit power sales contracts. Although the contracting parties can extend the terms of expiration dates, this is not required. Accordingly, Wallingford and MTUA would not have any liability with respect to the debt service on the 2013 series A power supply revenue bonds beyond the current expiration dates of their respective unit power sales contracts. In this instance, fixed costs of the respective projects would be allocated pro rata among the remaining power purchasers according to their entitlement allocations in each of the projects. As noted previously, based on our assessments of the current credit quality of the remaining power purchasers, Wallingford's decision to terminate its unit power sales contract relating to the MicroGen project at the end of 2018 does not have any undue negative effect on the weighted average credit quality of the members/participants nor correspondingly the credit quality of CMEEC.

#### **CMEEC's Transmission Services Revenue Bond Resolution:**

CMEEC's 2012 series A transmission services revenue bonds are secured by a net revenue pledge from revenues derived from long-term take-or-pay General Transmission Services Contracts (GTSCs; see below for details) executed with the six current members through December 31, 2052. Neither the municipal electric utility of the Town of Wallingford nor the MTUA have any obligation with respect to debt service under this resolution or expenses related to the TRANSCO Project. Operating expenses paid by CMEEC also include debt service required to be paid under the Transmission Finance and Services Agreement (TFSA) for TRANSCO debt and are paid ahead of debt service on CMEEC debt. (See below for more details on the TFSA).

The debt service reserve requirement for CMEEC's transmission services revenue bonds is set at maximum annual debt service for then current or any future fiscal year, which we view as credit positive. Any deficiency in the debt service reserve fund must be made up by the end of the current calendar month, as defined in the resolution. CMEEC is required to establish rates at least sufficient to be 110% of aggregate debt service.



**General Transmission Services Contracts (GTSCs):**

The GTSCs are full requirements, take or pay contracts with CMEEC's six members for transmission services and will be in effect through at least December 31, 2052. The GTSCs are not part of the security for the power supply system revenue bonds. Costs are divided into fixed costs and usage costs under the GTSCs; fixed costs include debt service under the transmission services revenue bond resolution, as well as costs for new projects or other financial contracts. Since neither Wallingford nor the MTUA participated in the TRANSCO Project they are not obligated to pay any fixed costs, instead they pay for transmission services under the Rate 9 formula for bundled supply services provided under their respective power supply contracts noted above. Members must charge sufficient retail rates to make all obligations to CMEEC and payments to CMEEC under the GTSCs are operating expenses of the members. CMEEC segregates the transmission receipts from Wallingford and MTUA, and these transmission service payments are part of the Revenues under the CMEEC Transmission Services Bond Resolution and are available to pay for certain TRANSCO usage cost billings and other administrative and financial costs of CMEEC, but not debt service under the CMEEC Transmission Services Bond Resolution or the TRANSCO Transmission System Revenue Bond Resolution.

**Transmission Finance and Service Agreement (TFSA):**

Also integral to our ratings for CMEEC is the fact that CMEEC has entered into a TFSA with TRANSCO. Under the TFSA, CMEEC is obligated to pay all costs of transmission services provided by TRANSCO, including debt service on TRANSCO's debt outstanding under its Transmission System Revenue Bond Resolution. CMEEC's obligations under the TFSA are considered operating expenses and are paid ahead of CMEEC debt service. The sole source of funds for payment under the TFSA will come from payments made under the GTSCs that CMEEC has with its six members, thereby making the GTSCs part of the security package for TRANSCO's bonds under its Transmission System Revenue Bond Resolution. Wallingford and MTUA are not considered owners of the TRANSCO Project and have not entered into GTSCs. As a result, no fixed costs of the TRANSCO project are allocable to Wallingford and MTUA, and they have no responsibility for, and receive no economic benefits from, the TRANSCO purchase of transmission assets from CL&P.

**DEBT STRUCTURE**

As of December 31, 2017, CMEEC had approximately \$99.75 million of fixed rate amortizing long-term debt outstanding.

**DEBT-RELATED DERIVATIVES**

None.

**PENSIONS AND OPEB**

CMEEC is a participant in the National Rural Electric Cooperative Association Retirement Security Plan (RS Plan), which is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501 (a) of the Internal Revenue Code. The RS Plan is a multi-employer plan under accounting standards (all plan assets are available to pay benefits of any plan participant). CMEEC contributions to the RS Plan in 2017 and 2016 were \$0.635 million and \$0.704 million, respectively, and in both years represented less than 5% of the total contributions made to the plan by all participating employers.

Based on latest available pension fund data for 2016, the Moody's adjusted net pension liability (ANPL) for CMEEC was about \$7.5 million, compared to a reported net pension liability of \$2.2 million. We adjust the reported pension liabilities of entities that report under governmental accounting standards, to enhance comparability across rated issuers. Under governmental pension accounting, liabilities are discounted using an assumed rate of investment return on plan assets. Under our adjustments, we value liabilities using a market based discount rate for high quality taxable bonds, a proxy for the risk of pension benefits.

CMEEC also has a plan under Section 401 (k) of the Internal Revenue Code which covers all eligible employees. Under this plan, CMEEC contributes 1% of the employee's base salary and contribution expenses were \$0.037 million and \$0.035 million in 2017 and 2016.

**Management and Governance**

CMEEC is governed by its Board of Directors comprised of two representatives from each of its six member utilities. The voting Board members are individually appointed by their respective municipal utility commissions. The Board authorizes the employment of professional staff at CMEEC, all of whom are led by the Chief Executive Officer. Board members are appointed by member utilities generally for two-year terms, and all serve on at least one of several key committees. The member appointments are on a fixed schedule but happen at different times so that all do not happen at the same time and thus allow for continuity. Additionally, a



Connecticut 2017 Legislation established six additional board members to be appointed by a member legislative body and directs contracting for a consumer advocate. Four of the six members are appointed currently.

### Other Considerations: Mapping to the Grid

Moody's evaluates CMEEC under the U.S. Municipal Joint Action Agencies Rating Methodology, and the grid indicated rating after notching under the below depicted grid is Aa3, which is consistent with the Aa3 rating for CMEEC's revenue bonds.

The grid is a reference tool that can be used to approximate credit profiles in the U.S. Municipal Joint Action Agencies sector in most cases. However, the grid is a summary that does not include every rating consideration. Please see U.S. Municipal Joint Action Agencies Rating Methodology for more information about the limitations inherent to grids.

Exhibit 3

#### Joint Action Agencies - All Requirement Methodology Grid

Factor	Subfactor/Description	Score	Metric
1. Participant Credit Quality and Cost Recovery Framework	a) Weighted Average participant credit quality. Unregulated rate setting including participants. Cost recovery structure and governance.	A1	
2. Resource Risk Management	a) Resource Diversity. Asset quality and complexity. Resource supply contract terms and counterparty credit quality. Wholesale market purchase exposure	Baa	
3. Competitiveness	a) Cost competitiveness relative to regional peers	A	
4. Financial Strength and Liquidity	a) Adjusted days liquidity on hand (3-year avg) (days)	Aaa	312.72 days
	b) Debt ratio (3-year avg) (%)	Aa	61.4%
	c) Fixed obligation charge coverage ratio (3-year avg) (x)	A	1.38x
5. Willingness to Recover Costs with Sound Financial Metrics	a) Rate Setting Record. Timeliness of rate recovery. Stability and strength of financial metrics	A	
<b>Notching Conventions</b>		<b>Notch</b>	
1 - Contractual Structure and Legal Environment		1.0	
2- Participant Diversity and Concentration		0.0	
3 - Construction Risk		0.0	
4 - Debt Service Reserve, Debt Structure and Financial Engineering		0.0	
5 - Unmitigated Exposure to Wholesale Power Markets		0.0	
<b>Scorecard Indicated Rating:</b>		<b>Aa3</b>	

Source: Moody's Investors Service



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REPORT NUMBER

1150600

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**CREDIT OPINION**

27 December 2018


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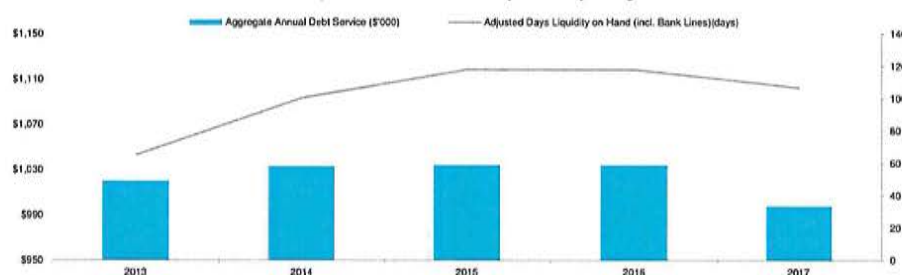
# Connecticut Trans. Muni. Elec. Energy Coop.

## Update to credit analysis

**Summary**

Connecticut Transmission Municipal Electric Energy Cooperative's (TRANSCO; Aa3 stable) credit profile reflects TRANSCO's significant financial, operational, and contractual relationships with Connecticut Municipal Electric Energy Cooperative (CMEEC; Aa3, stable). Under this scenario, all of TRANSCO's members are members or participants of CMEEC. The Town of Wallingford and the Mohegan Tribal Utility Authority (MTUA) are not owners of the TRANSCO transmission assets. The credit profile also benefits from the fact that CMEEC maintains a well-managed power supply portfolio, which together with efficient, reliable and economic transmission services helps keep its member rates reasonably competitive versus other suppliers in the region. Moreover, there are satisfactory legal protections for the bonds in the Transmission Finance and Service Agreements (TFSA), and by association, the general transmission services contracts (GTSCs) and power supply agreements (PSAs) that are in place with the members, as well as the strength of creditworthiness we associate with the TRANSCO and CMEEC members/participants. However, recent indictments brought against several senior officials represent credit risk for TRANSCO. We remain wary of the potential for additional negative credit effects from the outcome of an ongoing independent investigation relating to the indictments, though the foundation of the credit remains stable.

Exhibit 1

**Moderate Annual debt service requirements and adequate liquidity maintained**


Source: Moody's Investors Service

**Credit Strengths**

- » We calculate the weighted average credit quality of TRANSCO members to approximate A1
- » Low business risk associated with the transmission assets TRANSCO purchased from Connecticut Light & Power Company (CL&P); CL&P remains the operator

- » Economic benefits from owning low risk transmission assets
- » Satisfactory legal protections exist, including average bond security provisions and strong take or pay all requirements PSAs, GTSCs and TFSAs with CMEEC and TRANSCO participants, respectively
- » Member retail rates are unregulated and typically fare well in comparison with the local investor owned utilities (IOUs)
- » External liquidity in the form of bank lines at CMEEC, which together with cash and equivalents and unrestricted reserves are available to help meet any unexpected cost pressures
- » TRANSCO has relatively low leverage (e.g., ~64% equity at December 31, 2017) to take advantage of attractive Federal Energy Regulatory Commission (FERC) authorized return on equity (ROE)

### Credit Challenges

- » Significant dependence on CMEEC makes managing that relationship integral to maintaining the TRANSCO credit profile
- » Back-ended amortization poses potential long-term risk to creditors
- » CMEEC, and by association, TRANSCO, have exposure to potential natural gas price volatility and resulting periodic exposure to collateral posting requirements for fuel hedge and power supply agreements
- » Although TRANSCO is a transmission owning entity, it faces indirect moderate carbon transition risk through its affiliated CMEEC which primarily relies on a portfolio of long, intermediate and short-term power purchase contracts from suppliers in the Northeast, as well as owned peaking generation
- » CMEEC's Pierce Unit is held to high operating standards as a quick-start peaking unit in the ISO-NE market, and any outages or underperformance could result in costly financial penalties to CMEEC, and potentially jeopardize its ability to meet payments to TRANSCO
- » CMEEC, and, by association, TRANSCO have modest concentration in several large customers served by City of Groton and Bozrah Light and Power (BL&P)

### Rating Outlook

The stable outlook reflects the sound weighted average credit quality of the members, the strong contractual arrangements with members, the transmission cost benefits from owning transmission assets, sound risk management practices, and a good liquidity profile. The outlook also assumes no undue pressures from the ongoing independent investigation of the indictments.

### Factors that Could Lead to an Upgrade

- » Improvement of the members' credit quality

### Factors that Could Lead to a Downgrade

- » If more negative results than we currently anticipate surface from the ongoing investigation of the recent indictments
- » If unexpected operating and financial pressures result from Wallingford's recent decision to opt out of its unit power sales contract relating to the MicroGen project which expires December 31, 2018; Wallingford has a similar option relating to the Pierce project contract that otherwise expires at the end of 2021
- » If there is material decline in the members' credit quality and/or any of TRANSCO's or CMEEC's members/participants challenged their contractual obligations

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» If liquidity for CMEEC and by association, TRANSCO, becomes strained

## Key Indicators

Exhibit 2

Connecticut Transmission Municipal Electric Energy Cooperative	2013	2014	2015	2016	2017
Debt Outstanding (\$'000)	20,690	20,690	20,690	20,690	20,690
Debt Ratio (%)	35.9	35.6	35.0	35.5	36.5
Total Days Cash on Hand (days)	65	100	118	118	107
Adjusted Days Liquidity on Hand (incl. Bank Lines)(days)	65	100	118	118	107
Fixed Obligation Charge Coverage (if applicable)(x)	2.18	1.98	1.78	1.52	1.00

Source: Moody's Investors Service

## Profile

TRANSCO is a legally separate, special purpose, publicly-owned, joint-action electric transmission entity created under CMEEC's existing statutes to acquire and own transmission assets comprising part of the regional electric grid administered by the ISO-NE. Each of TRANSCO's members is a member in CMEEC.

CMEEC is a joint action agency that is currently a full requirements power supplier to six municipal electric utilities in Connecticut (City of Groton; Borough of Jewett City; City of Norwich; Second (South Norwalk) and Third (East Norwalk) Taxing Districts of the City of Norwalk; and BL&P) and to the MTUA. The town of Wallingford ceased being a full requirements customer of CMEEC as of January 1, 2013. However, Wallingford is still responsible for all of its allocable share of costs of the Pierce Project, but has the option to opt out of the Project at the end of 2021. Wallingford has exercised its option to opt out of the MicroGen Project as of December 31, 2018. For further details reference our research relating to [CMEEC](#) on moodys.com.

## Recent Developments

### Wallingford opts out of its unit sales contract relating to the MicroGen project

The town of Wallingford officially decided on December 21, 2018 not to continue its participation in the MicroGen project effective as of December 31, 2018. The decision by Wallingford, by the contract terms, results in a reallocation of Wallingford's obligations among the remaining MicroGen participants; however, the reallocation does not affect our assessment of the weighted average credit quality of the remaining participants, which is still A1.

### Recent indictments of several senior officials is credit negative

On November 8, 2018, the chief executive officer (CEO), chief financial officer (CFO) and three former members of CMEEC's Board of Directors (the Board), were indicted on federal charges relating to alleged conspiracy and misuse of federal public funds. The two officers are on unpaid administrative leave and the Board members are no longer serving in their respective prior capacities. The heir apparent to replace the CFO, who had previously announced his retirement, has been appointed interim CEO. An outside law firm, hired by CMEEC's Board, is conducting an independent investigation to decide the appropriate next steps. There are five CMEEC Board members who did not participate in any wrongdoing named to a Special Committee to oversee the investigation. CMEEC estimates the investigation will extend into 2019. While the indictments are clearly a credit negative development, raise governance related issues and the potential for future strain on internal and external business relationships, CMEEC's core business fundamentals continue to be transacting in normal course.

## Detailed Credit Considerations

**Revenue Generating Base: TRANSCO and CMEEC members maintain strong credit quality; TRANSCO member owners receive economic benefits of owning certain transmission assets; CMEEC maintains reasonably competitive power costs within the region**

TRANSCO is a publicly owned, joint action electric transmission agency formed by seven Connecticut municipal electric utilities that are also members or participants of CMEEC. The weighted average credit quality of the members is A1, even with a recent downgrade



of the [City of Norwich](#) to Aa3 from Aa2. Under this structure, the municipal utilities can own qualified transmission assets such as those purchased by TRANSCO from CL&P and earn an attractive FERC authorized ROE. This return is recovered through a FERC authorized regional transmission tariff structure supported by the load serving entities in ISO-NE. It is this attractive ROE, even as reduced periodically, that creates economic benefits for TRANSCO members (e.g. positive cash flow partially offsets overall member transmission costs). Full and timely recovery of transmission costs is built into the regional tariff structure as the rate formula is simply adjusted annually without the need for a rate case to account for over or under recovery in the prior year.

CMEEC, which is so integral to TRANSCO's credit quality, is a joint power agency that is a full requirements power supplier to six municipal electric utilities in Connecticut and to the MTUA, while also continuing to supply some power to the Town of Wallingford. These entities provide energy to approximately 70,000 customers, and revenues derived from sales to these entities are typically fairly evenly distributed among residential, small and medium commercial, and large commercial and industrial customer classes, albeit with a somewhat higher bias towards the residential class.

CMEEC's total load served has ranged from approximately 1.7 - 2.2 million megawatt hours (MWhs) over the past three years with year-over-year variability owing to the effects of weather and economic activity on members/participants demand. Despite facing some periodic challenging economic conditions, the members' maintain sound credit quality on average. The municipal utilities have a near monopoly business position in their service area and rate setting is unregulated. Municipal utility retail rates have historically been competitive against other electricity suppliers in New England, albeit subject to periodic variability in part due to occasional extreme winter weather. Recent EIA data shows that all of CMEEC's member system rates are on average 22.9% lower than the Connecticut State system rate. We anticipate that CMEEC can maintain the competitive comparisons as CMEEC's cost structure benefits from operating cost efficiency strategies.

CMEEC provides full energy and capacity requirements to its members, excluding what is derived from existing or new hydroelectric resources, primarily through long- intermediate- and short- term power purchase agreements. CMEEC also has peaking generation resources, including member resources available from a combustion turbine unit in Norwich (~16.5 MW, winter rating), the Pierce Project (~83.3 MW, winter rating), the MicroGen Project, which is comprised of 20 behind the meter units dispatched by CMEEC (~50 MW, winter rating), and 3 diesel generation units (~7.7 MW, winter rating). CMEEC will likely continue to arrange for resources consistent with historical practices to fully meet its demand, plus a substantial reserve margin. CMEEC also has an interruptible demand-side management program that can modestly lower demand based on ISO-NE market conditions. CMEEC's management remains proactive in coping with periodic variability in energy markets by relying on a well-defined risk management program. CMEEC's competitive strategy is based on engaging its board to ensure CMEEC maintains an active role in understanding and mitigating exposures in the ISO-NE markets. Since introducing the Pierce Unit, CMEEC has been in the favorable position of being both a power purchaser and a power supplier and can maximize its opportunities in the market. Being a power supplier in the market introduces some exposure to financial penalties if the Pierce Unit, which is in the market as a quick-start peaking unit, is not maintained at a high reliability level.

One risk several CMEEC members face is large customer dominance. This risk is especially present for Groton, primarily in Electric Boat US Navy SUBASE and Pfizer, and for BL&P, primarily in Airgas Merchant Gases, Inc. This risk is mitigated in part by Groton's and BL&P's regionally competitive rates and special contract arrangements with these customers that recover member distribution costs and CMEEC's fixed cost obligations on a take or pay basis. CMEEC's market position also benefits from the minimal fixed costs that might be exposed should a large customer depart, and the diverse, well-managed nature of CMEEC's power supply portfolio. We expect that CMEEC will continue to consider additional generation opportunities if they arise and prove to be economically viable to further diversify its resource mix.

#### **Financial Operations and Position: TRANSCO maintains sound financial and operating performance; economic benefits of transmission investments are ongoing**

As a joint electric transmission agency, TRANSCO recovers costs and earns returns on investment through the FERC formula rate tariff and CMEEC's costs are recovered in its wholesale rates charged to members pursuant to its full-requirements take-or-pay power sales contracts with members, unit power sales contracts with Wallingford and MTUA, and transmission rates to its members pursuant to its GTSAs. In these instances, members/participants can adjust rates without external regulatory review.



TRANSCO, which was formed in mid-2011, has produced consistently sound financial and operating performance. For example, we calculate that TRANSCO's fixed obligation charge coverage (FOCC) ratio for fiscal years 2015-2017 averaged 1.44x and its adjusted days liquidity averaged 114 days for the same period. Given the rate autonomy that TRANSCO has available under the FERC formula tariff and the manageable debt service schedule over the next several years we do not expect any material shift in these levels going forward, which bodes well for TRANSCO's credit quality. That said, we view the back-ended nature of TRANSCO's amortization schedule as a credit negative.

#### LIQUIDITY

Given TRANSCO's significant contractual ties to CMEEC, we consider not only TRANSCO's liquidity in terms of its 114 days of adjusted days liquidity on average over the past three fiscal years, but also view CMEEC's liquidity position as an important consideration in our analytical process. Although CMEEC is periodically affected by collateral posting under various fuel hedge and electric supply agreements, given market conditions it has not been required to post collateral in recent periods and this is expected to remain so for future years. Although CMEEC has sometimes utilized available cash to post collateral, more recently it has been using its bank lines when required for collateral postings. CMEEC's current bank lines are comprised of a \$30 million line of credit with Wells Fargo, which expires January 30, 2019 and a \$20 million line of credit with Bank of America, which expires August 1, 2020. Management is in the process of renewing the Wells Fargo credit line for the same amount for another two year term. Additionally, there are no outstanding balances on any of the lines. CMEEC's bank lines previously included a \$50 million committed five-year credit agreement with Bank of Montreal, which was being used to support the liquidity needs of CMEEC's load aggregation business. However, owing to CMEEC's plans to exit this business, the agreement was terminated in April 2018. We consider the terms and conditions of the credit agreements to be satisfactory as they do not contain onerous financial covenants or an ongoing material adverse change (MAC) clause. CMEEC maintains an above average liquidity position, which is reflected in the 313 days of adjusted days liquidity on hand for FY 2015-2017. Liquidity remains an important area of focus to help CMEEC cope with periodic volatility in energy markets.

#### **Debt and Other Liabilities: TRANSCO and CMEEC have limited incremental borrowing plans unless they decide to pursue larger scale generation and/or transmission investments**

TRANSCO's debt ratio was 36.5% at December 31, 2017, primarily reflecting low leveraging to take advantage of the attractive FERC authorized allowed ROE under the formula rate structure. CMEEC and TRANSCO have no incremental borrowing needs as the capital improvement plan includes modest amounts for standard maintenance of existing infrastructure which can be internally funded. Beyond the current maintenance plans for TRANSCO and CMEEC, we think CMEEC will likely periodically consider additional distributed generation investments and TRANSCO will likely consider other possible transmission investments, in both instances depending on case specific economics of those potential opportunities. To the extent that CMEEC considers larger base load and other large generation opportunities (e.g., distressed generation asset purchases) and/or TRANSCO pursues other large transmission asset investment opportunities, there could arise substantially greater needs for future new debt funding.

There is a pledge of revenues, pursuant to the TFSA between TRANSCO and CMEEC, under which TRANSCO agrees to provide transmission services to CMEEC. Under the TFSA, CMEEC agrees on a take-or-pay basis to pay all monthly transmission costs incurred by TRANSCO, including debt service on the 2012 Series A Transmission System Revenue Bonds. These sum sufficient payments by CMEEC are considered absolute and unconditional regardless of whether any transmission services are provided and will be considered operating expense of CMEEC, payable ahead of any payment of debt service on any CMEEC bonds outstanding. The sole source of funds for payment under the TFSA will come from payments made under the GTSCs that CMEEC has with its members, thereby effectively making the GTSCs part of the security package for TRANSCO's Transmission System Revenue Bonds. Since the terms of the GTSCs require collection of sufficient funds to pay all CMEEC transmission related operating costs and debt service, we view the risks to investors in TRANSCO debt and CMEEC Transmission Services Revenue Bonds as effectively the same. Since the Town of Wallingford and MTUA are not owners of the TRANSCO transmission assets, no costs of the assets owned by TRANSCO are allocable to them, and they have no responsibility for, and receive no economic benefits from, the assets. (See below for more details on the GTSCs).

The TRANSCO bonds are also secured by a debt service reserve (DSR) requirement defined as the maximum aggregate debt service coming due in any year.



### General Transmission Services Contracts (GTSCs):

The GTSCs are full requirements, take or pay contracts with CMEEC members for transmission services and will be in effect through at least December 31, 2052. The GTSCs are not part of the security for the CMEEC power supply system revenue bonds. Costs are divided into fixed costs and usage costs under the GTSCs; fixed costs include debt service under the transmission services revenue bond resolution, as well as costs for new projects or other financial contracts. Since neither Wallingford nor the MTUA participated in the TRANSCO Project they are not obligated to pay any fixed costs, instead Wallingford makes direct payment to ISO-NE for transmission services they receive based on the ISO-NE tariff and MTUA pays CMEEC for transmission services under the arrangement it has for bundled supply services provided under its power supply contract with CMEEC (see separate [CMEEC](#) research on moody's.com for more details on power supply contracts). Members must charge sufficient retail rates to meet all obligations to CMEEC and payments to CMEEC under the GTSCs are operating expenses of the members. CMEEC segregates the transmission usage receipts from Wallingford and MTUA, and these transmission service payments are part of the Revenues under the CMEEC Transmission Services Bond Resolution and are available to pay for certain TRANSCO usage cost billings and other administrative and financial costs of CMEEC, but not debt service under the CMEEC Transmission Services Bond Resolution or the TRANSCO Transmission System Revenue Bond Resolution.

### DEBT STRUCTURE

As of December 31, 2017, TRANSCO had approximately \$20.7 million of fixed rate long-term debt outstanding, comprised entirely of the 2012 Series A Transmission System Revenue Bonds bearing interest at a range of 2-5% and maturing January 1, 2031 through 2042.

### DEBT-RELATED DERIVATIVES

None.

### PENSIONS AND OPEB

CMEEC, and by association, TRANSCO, are participants in the National Rural Electric Cooperative Association Retirement Security Plan (RS Plan), which is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501 (a) of the Internal Revenue Code. The RS Plan is a multi-employer plan under accounting standards (all plan assets are available to pay benefits of any plan participant). CMEEC contributions to the RS Plan in 2017 and 2016 were \$0.635 million and \$0.704 million, respectively, and in both years represented less than 5% of the total contributions made to the plan by all participating employers.

Based on latest available pension fund data for 2016, the Moody's adjusted net pension liability (ANPL) for CMEEC was about \$7.5 million, compared to a reported net pension liability of \$2.2 million. We adjust the reported pension liabilities of entities that report under governmental accounting standards, to enhance comparability across rated issuers. Under governmental pension accounting, liabilities are discounted using an assumed rate of investment return on plan assets. Under our adjustments, we value liabilities using a market based discount rate for high quality taxable bonds, a proxy for the risk of pension benefits.

CMEEC also has a plan under Section 401 (k) of the Internal Revenue Code which covers all eligible employees. Under this plan, CMEEC contributes 1% of the employee's base salary and contribution expenses were \$0.037 million and \$0.035 million in 2017 and 2016.

### Management and Governance

CMEEC, and by association, TRANSCO are governed by its Board of Directors comprised of two representatives from each of its six member utilities. The voting Board members are individually appointed by their respective municipal utility commissions. The Board authorizes the employment of professional staff at CMEEC, all of whom are led by the Chief Executive Officer. Board members are appointed by member utilities generally for two-year terms, and all serve on at least one of several key committees. The member appointments are on a fixed schedule but happen at different times so that all do not happen at the same time and thus allow for continuity. Additionally, a Connecticut 2017 Legislation established six additional board members to be appointed by a member legislative body and directs contracting for a consumer advocate. Four of the six members are appointed currently.

### Other Considerations: Mapping to the Grid

Moody's evaluates TRANSCO under the U.S. Municipal Joint Action Agencies Rating Methodology, and the grid indicated rating under the below depicted grid is Aa3, which is consistent with the Aa3 rating for TRANSCO's revenue bonds.

The grid is a reference tool that can be used to approximate credit profiles in the U.S. Municipal Joint Action Agencies sector in most cases. However, the grid is a summary that does not include every rating consideration. Please see U.S. Municipal Joint Action Agencies Rating Methodology for more information about the limitations inherent to grids.



## Exhibit 3

## Joint Action Agencies - Take-or-Pay Methodology Grid

Factor	Subfactor/Description	Score	Metric
1. Participant Credit Quality and Cost Recovery Framework	a) Participant credit quality. Cost recovery structure and governance	A1	
2. Asset Quality	a) Asset diversity, complexity and history	Aa	
3. Competitiveness	a) Cost competitiveness relative to market	Aa	
4. Financial Strength and Liquidity	a) Adjusted days liquidity on hand (3-year avg)	A	114 days
	b) Debt ratio (3-year avg)	Aa	35.7%
	c) Fixed obligation charge coverage ratio (3-year avg)	Baa	1.44x
Material Asset Event Risk	Does agency have event risk?	No	
Notching Factors		Notch	
	1 - Contractual Structure and Legal Environment	0.0	
	2- Construction Risk	0.0	
	3 - Offtaker Diversity	0.0	
	4 - Financing Structure (rate covenant, DSR etc.)	0.0	
	5 - Merchant/Other rating considerations	0.0	
Rating from Grid		Aa3	
Indicated Rating from Grid		Aa3	

Source: Moody's Investors Service

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1150604



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## ISSUER COMMENT

30 November 2018

✓ Rate this Research

### RATINGS

#### Connecticut Municipal Electric Energy Cooperative

Revenue Bonds Aa3  
 Outlook Stable

#### Connecticut Trans. Muni. Elec. Energy Coop.

Revenue Bonds Aa3  
 Outlook Stable

Source: Moody's Investors Service

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## Connecticut Municipal Electric Energy Coop.

### Recent indictment of several senior officials is credit negative

The Federal indictments returned on November 8, 2018 by a United States Attorney grand jury charging Connecticut Municipal Electric Energy Cooperative's (CMEEC) chief executive officer (CEO), chief financial officer (CFO) and three former members of its Board of Directors (the Board) with alleged misuse of CMEEC funds is credit negative for CMEEC (Aa3 stable) and its affiliate, Connecticut Transmission Municipal Electric Energy Cooperative (TRANSCO; Aa3 stable).

The indictments and allegations, which tie to significant spending by CMEEC on several previously disclosed off-site business trips in Kentucky and West Virginia, are credit negative for CMEEC and TRANSCO as it raises serious questions about the firms' internal controls and governance. The circumstances also introduce the potential for negative reactions by CMEEC's members to the firm's misuse of funds intended for other basic business purposes and could result in more challenging internal and external counterparty business relationships going forward.

Following the indictments, CMEEC's Board hired an outside law firm to conduct an independent investigation to be overseen by a five-member Special Committee. The Board members named to the Special Committee are unconnected in any way with the circumstances under investigation. According to CMEEC, the investigation will unfold over the next month and possibly longer, leaving the exact timeline for any outcome or recommendations for future steps uncertain.

For now, the two charged officers are on unpaid administrative leave and the Board members are no longer serving in their respective prior capacities. CMEEC has also appointed the heir apparent to replace the CFO, who had previously announced his retirement, to serve as the interim CEO. Additionally, CMEEC had already made significant changes to its bylaws to better govern travel policies and established legislative means by which it could undertake forensic examination of fiscal years 2013-2017 and add one ratepayer representative from each member town to the board. The legislation also created a consumer advocate to represent ratepayers.

Notwithstanding the most recent developments surrounding the indictments, the weighted average credit quality of CMEEC's and TRANSCO's members and the strength of the contracts and agreements that both entities have with their members provide a solid foundation for the entities' respective credit profiles. Additionally, liquidity and coverage ratios remain strong as CMEEC debt continues to amortize. While the foundation of CMEEC's and TRANSCO's respective credit profiles remains intact, we remain wary of the potential for additional negative credit effects from the outcome of the ongoing independent



investigation. Should more negative results surface than we currently anticipate, the potential for a negative rating action on CMEEC and TRANSCO would increase.

CMEEC is a joint action agency and a full requirements power supplier to six municipal electric utilities in Connecticut (City of Groton; Borough of Jewett City; City of Norwich; Second (South Norwalk) and Third (East Norwalk) Taxing Districts of the City of Norwalk; and Bozrah Light & Power) and to the Mohegan Tribal Utility Authority. At December 31, 2017, CMEEC had about \$86.1 million of revenue bonds outstanding.

TRANSCO is a legally separate, special purpose, publicly-owned, joint-action transmission entity created under CMEEC's existing statutes to acquire and own transmission assets comprising part of the regional electric grid administered by the Independent System Operator - New England, Inc. Each of TRANSCO's members is a member or participant in CMEEC. At December 31, 2017, TRANSCO had \$22.2 million of revenue bonds outstanding.

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## **FITCH PLACES CONNECTICUT MUNI ELECTRIC ENERGY COOPERATIVE ON RATING WATCH NEGATIVE**

Fitch Ratings-New York-26 November 2018: Fitch Ratings has placed the 'A+' long-term rating for the Connecticut Municipal Electric Energy Cooperative (CMEEC) and the Connecticut Transmission Municipal Electric Energy Cooperative (TRANSCO) on Rating Watch Negative.

CMEEC provides wholesale electric power to six member municipal distribution systems, each in highly rated service areas, and two contracted purchasers throughout southern and eastern Connecticut. Participants serve an aggregate retail base of nearly 74,000 customers. CMEEC also provides transmission services via TRANSCO.

The Negative Watch reflects credit concerns and uncertainty regarding excessive utility spending and potential outcomes as highlighted by and related to the federal indictments of five individuals affiliated with the utility on Nov. 8, 2018. Federal charges alleging conspiracy and the misuse of federal public funds were filed against the current chief executive officer (CEO) and chief financial officer (CFO), the former chairman of the board of directors and two other board members.

Fitch's near-term credit concerns relate to the burden on existing staff resources and possible management or board distraction while the investigation proceeds. Resolution of the Rating Watch is anticipated when the outcomes of CMEEC's internal investigation are known.

Certain elements at issue in the indictments -- the extravagance of costly off-site strategic planning trips in recent years -- were known to the community, members of CMEEC and Fitch prior to the announced federal charges. The publicity surrounding the expense of the trips prompted ethics investigations and state legislation in 2017 that requires strategic planning by electric cooperatives to occur in-state. However, prompted by the recent federal legal allegations, CMEEC has initiated its own internal investigation into issues raised by the indictments. The investigation will address whether or not any internal policies or procedures were violated and include recommendations to the board. CMEEC's investigation is expected to conclude in the next few months and the timeline is not dependent on the legal case. Fitch's Rating Watch does not presume the outcome of the federal indictments.

In the meantime, the CEO and CFO have been placed on administrative leave. The CFO had announced his upcoming retirement months earlier and a new CFO is already in place. The new CFO has been named interim CEO as well after the two officials charged were placed on leave. CMEEC has a small management staff. The sudden absence of the CEO and retiring CFO is likely to place additional time and capacity burdens on the remaining staff, particularly in light of additional work needed to support the internal investigation.

The Rating Watch designation is related to the ongoing situation that is expected to be addressed through CMEEC's internal investigation. Resolution is expected in the next few months but, depending on the timing of the investigation, may take longer.

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#### Applicable Criteria

Rating Criteria for Public-Sector, Revenue-Supported Debt (pub. 26 Feb 2018)

<https://www.fitchratings.com/site/re/10020113>

U.S. Public Power Rating Criteria (pub. 18 May 2015)

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**Connecticut Municipal Electric Energy Cooperative**  
**Forensic Examination Report**  
**For the Fiscal Years Ended**  
**December 31, 2013 through December 31, 2017**

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December 21, 2018

Connecticut Municipal Electric Energy Cooperative  
30 Stott Avenue  
Norwich, CT 06360

**Connecticut Municipal Electric Energy Cooperative Forensic Examination Report**

**I. DESCRIPTION OF ENGAGEMENT**

CohnReznick LLP (“CohnReznick”) was retained in June, 2018 by the Connecticut Municipal Electric Energy Cooperative (“CMEEC”, the “Client” or the “Organization”). We were retained to perform a specific forensic accounting examination of CMEEC’s financial records and to report our findings related to the review of CMEEC’s revenues and expenditures for the fiscal years ended December 31, 2013 through December 31, 2017 (as set forth in PA 17-73, as amended by Section 26 of PA 18-50).

CMEEC requested the following services (the “Services”), which are summarized as follows:

- A. Provide an opinion on conformance of the operating procedures of CMEEC in accordance with Connecticut General Statute Chapter 101a - Municipal Electric Energy Cooperatives (“Chapter 101a”) (See Exhibit I);
- B. Provide an opinion on conformance of the operating procedures of CMEEC in accordance with its By-Laws (See Exhibit II);
- C. Provide recommendations for corrective action to ensure conformance to both Chapter 101a and CMEEC’s By-Laws; and
- D. Perform a review of the revenue and expenditures of CMEEC for five (5) years, which include fiscal years ended December 31, 2013 through December 31, 2017.

The scope of our analysis, our procedures and our findings through the date of this letter are set forth below. Our work was performed under the direction of CMEEC. We understand that this work product will be made available to the General Assembly pursuant to applicable law or regulation and that a copy of the report (with all disclaimers and limiting language intact) will be posted on the Client’s website.

As noted in our engagement letter, our work does not constitute an audit, review or compilation in accordance with Generally Accepted Auditing Standards (“GAAS”) or Generally Accepted Accounting Principles (“GAAP”) of the information provided to us.

Public Act 17-73 (See Exhibit III), as amended by Section 26 of PA 18-50 (“the Act”) (See Exhibit IV) set forth CMEEC’s responsibility to perform a forensic examination for a five-year period. The forensic examination requirement is further described in Section 26(h).

As stated in the Act, the forensic examination includes a report on CMEEC’s conformance with the provisions of Chapter 101a. The procedures we performed were based on our professional judgment, our understanding of the engagement, and our conversations with CMEEC’s management.

The opinions and conclusions presented in this report are based on the information reviewed to date. The information reviewed provided sufficient reliable facts and data within the accounting field to render our opinions to a reasonable degree of accounting certainty. Should additional relevant information or documents be produced, our opinions and conclusions could be influenced by this information. As such, CohnReznick reserves the right to amend this report accordingly.



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## II. BACKGROUND AND UNDERSTANDING

As CMEEC explains on its website, over 2,000 communities in the U.S. rely on not-for-profit electric utilities that are locally owned and operated by the people they serve. In 1976, Connecticut's municipal electric utilities joined to form CMEEC, the Connecticut Municipal Electric Energy Cooperative.

Currently, CMEEC is owned and governed by six member communities, namely, the cities of Groton and Norwich, the Borough of Jewett City, Bozrah Light & Power Company, and the Second (South Norwalk) and Third (East Norwalk) Taxing Districts of Norwalk (the "Member Utilities"). CMEEC provides wholesale power and related services to the Member Utilities, to the Mohegan Tribal Utility Authority and to major electric customers in and beyond Connecticut (collectively, the "CMEEC's Customers").

CMEEC represents that it consistently provides the most affordable, reliable and sustainable energy solutions available in New England, and that CMEEC's customers rely on CMEEC's world-class energy procurement, production and transmission, and comprehensive specialty services.

## III. OPINION ON CONFORMANCE OF THE OPERATING PROCEDURES IN ACCORDANCE WITH CHAPTER 101a

Based on our procedures performed, CMEEC's operating procedures conform with Chapter 101a's requirements.

## IV. OPINION ON CONFORMANCE OF THE OPERATING PROCEDURES IN ACCORDANCE WITH CMEEC's BY-LAWS

Based on our procedures performed, CMEEC's operating procedures conform with CMEEC's By-Laws, except as noted in our findings below. The following findings are independent and cumulative of each other:

### **Finding 1 – Vendor Payments Paid by Check:**

CMEEC's By-Laws provides that

the purposes for which CMEEC is organized are to undertake: (a) the procurement, management, provision, and transmission of electric products, including, but not limited to, electric commodity, ancillary and support services, and transmission services; (b) the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation, and maintenance of a project or projects to supply electric power and energy for the present and future needs of its Members, and others as contractually provided; and (c) to do and perform all acts and things for the benefit of its Members, and others as contractually provided, which by law, expressed or implied, it is authorized, empowered, or permitted to do and perform." (See Exhibit II; Section 5. Purposes of CMEEC's By-Laws).

Based on our procedures performed and the sample we tested, we noted several expense categories, during the period 2013 through 2017, that appeared inconsistent with CMEEC's purpose:

<b>Type of Spending</b>	<b>Total Amount</b>
Board retreat & event spend	\$ 1,179,300
Refund of event spend	\$ (90,129) {A}
Spend with questionable business purpose	\$ 10,000
Total	<u>\$ 1,099,171</u>

{A} The vendor refunded this amount in fiscal year 2017.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 2 – Vendor Payments Paid by P-Card Payments:**

Certain CMEEC expenses were executed with P-Cards ("Purchasing Cards"). Based on our procedures performed and the sample we tested, the P-Card transactions that appeared contrary to CMEEC's business purpose are set forth below:

<b>Type of Spending</b>	<b>Total Amount</b>
Board retreat & event spend	\$ 187,475
Spend with questionable business purpose	\$ 73,499
Spending with no support	\$ 12,080
Total	<u>\$ 273,054</u>

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 3 – Vendor Payments Paid via Wire Disbursements:**

Based on our procedures performed and the sample we tested, we noted the following wire executed transactions that appear contrary to CMEEC's purpose are set forth below:

<b>Type of Spending</b>	<b>Total Amount</b>
Board retreat & event spend	\$ 60,989
Spend with questionable business purpose	\$ 33,840
Total	<u>\$ 94,829</u>

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.



**Finding 4 – Other expenditures:**

Based on our procedures performed, we noted \$66,061 paid to James Sullivan for lobbying and other expenditures. Given that we (a) have not requested or reviewed any supporting documents or (b) have not been provided with the business purpose of certain of these expenses, we are unable to determine whether the James Sullivan related expenditures are in compliance with Chapter 101a and CMEEC's By-Laws.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 5 – Contributions:**

Based on our procedures performed and the sample we tested, we noted payments to four (4) vendors totaling \$208,022. These payments were recorded as contribution payments and they appeared inconsistent with CMEEC's operating procedures and its By-Laws.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**V. RECOMMENDATIONS FOR CORRECTIVE ACTION TO ENSURE CONFORMANCE WITH CHAPTER 101a AND CMEEC'S BY-LAWS**

**Recommendation 1 – Expenditures:**

We recommend that all organizational expenses incurred and paid must be aligned with CMEEC's purpose as stated in CMEEC's By-Laws. In addition, we recommend CMEEC abide by the parameters for strategic retreats, gifts and entertainment included in Public Act No. 17-73, as amended by Public Act No. 18-50, and CMEEC's By-Laws.

**Recommendation 2 – Contributions:**

We recommend CMEEC develop a written policy regarding charitable contributions and gifts that is voted on and approved by the CMEEC Board of Directors.

Management of CMEEC's responses to the recommendations listed above are included in Exhibit V of this report.

**VI. REVIEW OF REVENUE AND EXPENDITURES OF CMEEC FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 THROUGH DECEMBER 31, 2017**

We have read the audited financial statements for the fiscal years ended December 31, 2013 through December 31, 2017, and noted they were released with unqualified/unmodified opinions. We did not note any management letters being issued for any of these five years. Based on our procedures performed, we have identified the following findings arising from our review of revenue and expenditures for the fiscal years ended December 31, 2013 through December 31, 2017:

**Finding 1 – Revenue and Cost Allocations:**

Based upon our procedures performed and the sample we selected for testing revenue and cost allocations, we identified one finding arising from a "true up" adjustment, which was performed to reconcile estimated activity with actual results. In the June 2016 true-up, the Generation Service charge was understated by \$73.57, and the Addition to the Rate Stabilization Fund was overstated by \$73.57.

CMEEC  
December 21, 2018  
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Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**Finding 2 – Economic Development Fund Withdrawals:**

An Economic Development Fund (the "Fund") was established to promote economic development within the Member Utilities' communities. Member Utilities that elect to participate in the Fund (the "Participating Members") are charged a monthly fee based on their request in accordance with a contractually determined amount by the Participating Members. The Participating Members can request withdrawals from their portion of the Fund for economic development projects. Based on the procedures performed and the sample we tested of Fund withdrawals, we were unable to determine whether the funds were used for economic development purposes. In addition, we noted that related party relationships exist between some of these organizations and certain CMEEC Board Members.

We recommend that CMEEC remits economic development funds directly to the Participating Members on a monthly basis. This will eliminate CMEEC's custodial responsibilities over these funds.

Management of CMEEC's responses to the finding listed above are included in Exhibit V of this report.

**CMEEC did not retain or request CohnReznick to perform any procedures, opine, comment or respond to CMEEC's responses.**

Our analysis and findings expressed herein are based on the information provided to us and the associated procedures performed as of the date of this report. We reserve the right to amend or supplement this report if additional relevant information becomes available and to report as to other issues, if any, hereafter raised. We have not provided any opinion on the Organization's financial condition as part of any of the procedures performed.

Respectfully submitted,



CohnReznick LLP



## **CHAPTER 101a**

# **MUNICIPAL ELECTRIC ENERGY COOPERATIVES**

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**Sec. 7-233a. Legislative purpose and finding.** The purpose of this chapter is to permit municipal electric utilities in Connecticut to join together and form cooperative public corporations for the financing of the construction and acquisition of facilities for the purpose of furnishing efficient, low cost and reliable electric power in their areas of operation. The provisions of this chapter shall be deemed to apply to the acquisition, construction, reconstruction, operation, repair, extension or improvement of such facilities, or the acquisition of any interest therein or of any capacity thereof, by a separate legal entity created by concurrent resolutions of two or more municipal electric utilities as herein provided. It is found and declared that there exists in the state a great and growing need for the furnishing of efficient, low cost and reliable electric power to the residents thereof; that the construction and acquisition of suitable facilities for the furnishing of efficient, low cost and reliable electric power is an important governmental function in which municipal electric utilities should be enabled to act jointly for the purposes of carrying out the provisions of this chapter and therefore the necessity for the provisions of this chapter is hereby declared as a matter of legislative determination to be in the public interest and for the public benefit and good of this state.

**Sec. 7-233b. Definitions.** As used in this chapter, the following terms shall have the following meanings, unless a different meaning clearly appears from the context and any use of plural terms herein shall be deemed to refer to the singular thereof:

(1) “Area of operation” means the geographic area served by a municipal electric utility at the time it becomes a member of a municipal electric energy cooperative pursuant to this chapter and such other areas as the municipal electric energy cooperative may serve pursuant to contract entered into under the provisions of this chapter;

(2) “Bonds” means bonds issued by a municipal electric energy cooperative pursuant to this chapter;

(3) “Cost” means, in addition to the usual connotations thereof, the cost of all or any property, rights, easements, privileges, agreements and franchises deemed by the municipal electric energy cooperative to be necessary or useful and convenient to a project or projects or in connection therewith, including discount on bonds, cost of issuance of bonds, engineering and inspection costs and legal expenses, cost of financial, professional and other estimates advice, organization, administrative, operating and other expenses of the municipal electric energy cooperative prior to and during the acquisition or construction of a project or projects and all such other expenses as may be necessary or incident to the financing, acquisition, construction and completion of said project or projects or part thereof and the placing of the same in operation, and also such provision or reserves for working capital, operating,



maintenance or replacement expenses or for reserves for the payment of the principal of or interest on bonds during or after such acquisition or construction as the municipal electric energy cooperative may determine, and reimbursements to the municipal electric energy cooperative or any member thereof or any other participant in such project or projects of any moneys theretofore expended for the purposes of the municipal electric energy cooperative;

(4) “Electric utility” means any electric public service company, as defined in section 16-1;

(5) “Governing body” means the board of commissioners of a municipal electric utility or such other duly elected or appointed officials charged by law with managing the affairs of a municipal electric utility;

(6) “Member” means any municipal electric utility within the state which has been in continuous operation for at least five years and whose governing body authorizes membership in, and which becomes a member of, a municipal electric energy cooperative;

(7) “Municipal electric energy cooperative” or “municipal cooperative” means a separate legal entity hereafter created by concurrent resolutions of two or more municipal electric utilities to exercise any of the powers as provided in this chapter in connection with the acquisition, construction, reconstruction, operation, repair, extension or improvement of electric power generation or transmission facilities, or the acquisition of any interest therein or of any capacity thereof;

(8) “Municipal electric utility” means an electric department, agency or other body of a municipality which provides for the production, supply and/or distribution of electric energy to the inhabitants or any portion thereof as well as others, which department, agency or other body has been established in accordance with applicable provisions of law;

(9) “Municipality” means any town, city or borough located within the state and any district as defined in section 7-324 or special services district established under chapter 105a which is authorized to produce, supply or distribute electric energy;

(10) “Notes” means notes issued by a municipal electric energy cooperative pursuant to this chapter;

(11) “Participant” means any member of a municipal electric energy cooperative, a nonmember municipal electric utility, an electric utility, or any other public or private electric power entity located within or without the state, any of which may contract

for services with a municipal electric energy cooperative pursuant to the provisions of this chapter;

(12) “Project” means any plant or plants, hydro plants, works, system, facilities, or real or personal property, together with all parts thereof and appurtenances thereto, used or useful in connection with the generation, production, transmission, purchase, sale, exchange or interchange of electric power or energy, or any interest therein or right to capacity thereof. “Project” also includes stock or other ownership interests in, or evidences of indebtedness of, any corporation or business entity which constructs electric power generation or transmission facilities or generates, produces, transmits, purchases, sells or exchanges electric power and energy to, or insures the liabilities of, public or private electric power entities located within or without the state, provided the outstanding stock of such corporation is owned in whole or in part by such public or private electric power entities;

(13) “Real property” includes lands, structures, franchises, and interests in land, including lands under water and riparian rights, and any and all things and rights usually included within said term, and includes not only fees simple absolute but also any and all lesser interests, such as easements, rights-of-way, uses, leases, licenses and all other incorporeal hereditaments, and every estate, interest or right, legal or equitable, including terms of years and liens thereon by way of judgments, mortgages or otherwise, and also claims for damage to real estate.

**Sec. 7-233c. Municipal electric energy cooperative membership. Board representatives, appointment, term, removal. Officers. Meetings. Staff. Apportionment of expenses.** (a) Any two or more municipal electric utilities may, by concurrent resolutions, duly adopted by the governing bodies of each of such municipal electric utilities, create and become members of a municipal electric energy cooperative under the name and style of “the .... municipal electric energy cooperative”, with some identifying phrase inserted. The managing body of the municipal electric energy cooperative shall be a cooperative utility board which shall be charged with carrying out the corporate purposes and powers of the municipal electric energy cooperative. The number of representatives to be appointed at any time for full terms of office by the governing bodies of such municipal electric utilities shall be such uniform numbers as may be mutually agreed upon in said resolutions which number shall be not less than two nor more than six for each member. After the taking effect of the said resolutions of all such municipal electric utilities and after the filing of certified copies thereof pursuant to subsection (a) of section 7-233d, the agreed number of representatives shall be appointed to the cooperative utility board by the governing body of each municipal electric utility. The qualification of such representatives, terms of office for the original representatives and their successors and compensation, if any, by the member pursuant to this section or by the municipal



cooperative pursuant to section 7-233p, shall be prescribed by each such governing body; provided, each representative shall be an official or employee of such municipal electric utility. In addition to paying such compensation as may be prescribed pursuant to this section or section 7-233p, a member may reimburse its representatives for expenses for travel, both within and without the state, incurred by them in connection with services as a designated representative on such board. Before such municipal cooperative can be validly and legally formed each of the municipalities represented by a municipal electric utility joining together to form the municipal cooperative must, by proper proceedings duly adopted, consent and agree to such formation of the municipal cooperative.

(b) After the creation of a municipal cooperative under subsection (a) of this section, any other municipal electric utility may become a member of the municipal cooperative if (1) the municipal electric utility files with the municipal cooperative (A) a resolution, duly adopted by its governing body, requesting membership in such cooperative, and (B) a certified copy of the proper proceedings, duly adopted by the municipality represented by the municipal electric utility, consenting and agreeing to such membership, and (2) after the municipal cooperative receives such filing, the governing bodies of at least two-thirds of the municipal electric utilities comprising the membership of the municipal cooperative at the time of such filing duly adopt a resolution approving membership of such municipal electric utility in the municipal cooperative. After the filing of certified copies of all such resolutions with the Secretary of the State pursuant to subsection (b) of section 7-233d, the governing body of the municipal electric utility being added to the municipal cooperative shall appoint representatives to the cooperative utility board of the municipal cooperative. The number of such appointed representatives shall be the same as the number mutually agreed upon by the other members of the municipal cooperative pursuant to subsection (a) of this section. The provisions of said subsection (a) concerning the qualification, compensation and terms of office of, and reimbursement of travel expenses for, representatives of the existing members of the municipal cooperative shall apply to representatives of such municipal electric utility.

(c) A municipal electric utility that is a member of a municipal cooperative may withdraw from the municipal cooperative if: (1) Such withdrawing municipal electric utility continues to fully perform all of its obligations under any contract it has with the municipal cooperative or provides sufficient funds in trust for the benefit of the municipal cooperative to satisfy such obligations, (2) the withdrawing municipal electric utility files with the municipal cooperative a resolution, duly adopted by its governing body, approving the withdrawal, and such resolution is filed with the Secretary of the State in the same manner as provided in subsection (c) of section 7-233d, and (3) the municipality represented by the withdrawing municipal electric

utility does not disapprove of such withdrawal, by vote of the municipality's legislative body, within thirty days after the adoption of such a resolution.

(d) Upon appointment of its representatives by the members of the municipal cooperative, the cooperative utility board shall organize, select its chairman and vice-chairman from among said board and proceed to consider those matters which have been recommended to it by the several members of the municipal cooperative. The cooperative utility board may hold such meetings and public hearings as it deems desirable and the powers of the municipal cooperative shall be vested in the representatives thereof in office from time to time. A majority of the entire authorized number of representatives of the municipal cooperative shall constitute a quorum at any meeting thereof. Action may be taken, motions voted and resolutions adopted by the municipal cooperative at any meeting of the cooperative utility board by vote of a majority of the representatives present, unless in any case the bylaws of a municipal cooperative or an amendment to such bylaws shall require a larger number for adoption or any representative of the cooperative utility board requests that the vote be based on megawatt-hour purchases. If such a request is made, (1) each representative shall have a number of votes equal to the total number of megawatt-hours purchased by the representative's member municipal electric utility from the municipal cooperative during the preceding completed calendar year, provided, if the municipal cooperative includes a new member municipal electric utility which purchased part or all of its power and energy from a supplier or suppliers other than the municipal cooperative during such year, each representative of such new member municipal electric utility shall have a number of votes equal to the total megawatt-hours purchased by such new member from such other suppliers during such year plus the total number of megawatt-hours purchased from the municipal cooperative during such year, and (2) any action, motion or resolution taken, voted or adopted by the municipal cooperative at such meeting shall be by a favorable vote of sixty-seven per cent or more of the total of such votes of the representatives who are present at the meeting and who vote, provided at least a majority of the members of the municipal cooperative approves such action, motion or resolution. Notwithstanding any provision of this subsection or of subsection (g) of this section to the contrary, a unanimous vote of all of the representatives of the municipal cooperative shall be required before said municipal cooperative can exercise the power of condemnation or eminent domain provided in this chapter. The cooperative utility board may appoint and employ a chief executive officer, a treasurer, a secretary, a general counsel and such officers, advisors, consultants and other agents and employees as it may deem necessary, and the cooperative utility board shall determine their qualifications, terms of office, duties and compensation.

(e) Organizational expenses incurred by a municipal cooperative shall be paid ratably by each member in the same proportion as the population or area of operation

served by each such member bears to the total population or area of operation serviced by all members or by such other method as determined to be fair and equitable by the cooperative utility board. Such payments shall be made by each member whether or not that member utilizes the electric power or energy made available or furnished to such member.

(f) Each representative of a municipal electric energy cooperative shall hold office for the term for which he was appointed and until his successor has been appointed and has qualified. A representative of a municipal electric energy cooperative may be removed only by the cooperative utility board for inefficiency or neglect of duty or misconduct in office and after he shall have been given a copy of the charges against him and, not sooner than ten days thereafter, had opportunity in person or by counsel to be heard thereon by such governing body. A member may remove one or more of its representatives with or without cause at any time.

(g) A municipal cooperative may adopt, on a prospective basis, methods of voting for all or specifically designated matters. Any such methods shall be specified in the bylaws of a municipal cooperative or in an amendment to such bylaws unanimously adopted by the members of the municipal cooperative. A municipal cooperative may distinguish the voting rights of its members based on whether a member is a full requirements customer or a partial requirements customer of the municipal cooperative or based on the term of the contractual obligations for power and transmission supply each member incurs with respect to the municipal cooperative, provided any such distinctions shall treat similarly situated members in a comparable and nondiscriminatory manner. For purposes of this subsection, "full requirements customer" means a wholesale purchaser of electric power or transmission services whose electric energy supplier is the sole source of long-term firm power, and "partial requirements customer" means a wholesale purchaser of electric power or transmission services that directly owns or operates generating or transmission assets that are insufficient to carry all of such purchaser's electric load and whose electric energy supplier is a supplemental source of long-term firm power.

**Sec. 7-233d. Filings with Secretary of the State. Effect.** (a) A certified copy of each concurrent resolution creating a municipal electric energy cooperative, which is adopted pursuant to subsection (a) of section 7-233c, and a certified copy of each of the proceedings of the municipalities consenting and agreeing to the formation of the municipal electric energy cooperative as required by said subsection (a), shall be filed in the office of the Secretary of the State. Upon proof of such filing of a certified copy of the concurrent resolutions creating the municipal electric energy cooperative and the municipal proceedings as aforesaid, the municipal electric energy cooperative therein referred to shall, in any suit, action or proceeding involving the validity or enforcement of, or relating to, any contract or obligation or act of the municipal



electric energy cooperative, be conclusively deemed to have been lawfully and properly created, organized and established and authorized to transact business and exercise its powers under this chapter.

(b) A certified copy of each resolution approving the addition of a municipal electric utility to an existing municipal cooperative, which is adopted pursuant to subsection (b) of section 7-233c, and a certified copy of the proceedings of the municipality represented by such municipal electric utility consenting and agreeing to membership in such municipal cooperative as required by said subsection (b), shall be filed in the office of the Secretary of the State. Upon proof of such filing of a certified copy of such resolutions and such municipal proceedings, such municipal electric utility shall be deemed to be a member of such municipal cooperative.

(c) A certified copy of the resolution approving the withdrawal of a municipal electric utility from an existing municipal cooperative, which is adopted pursuant to subsection (c) of section 7-233c, and an affidavit by the withdrawing municipal electric utility stating that the legislative body of the municipality has not disapproved of such withdrawal in the manner provided under said subsection (c), shall be filed in the office of the Secretary of the State. Upon proof of such filing of a certified copy of such resolution and such affidavit, such municipal electric utility shall conclusively be deemed to have lawfully and properly withdrawn from the municipal cooperative. The withdrawing municipal electric utility shall have rights to retained earnings and assets of the municipal cooperative as set forth in the contract or contracts for power supply between the withdrawing municipal electric utility and the municipal cooperative or in any other contract between such municipal electric utility and such municipal cooperative, provided any such contract shall treat similarly situated members in a comparable and nondiscriminatory manner and provided further the withdrawing municipal electric utility complies with the provisions of subsection (c) of section 7-233c for withdrawal from the municipal cooperative.

(d) A copy of any such resolutions or proceedings filed under this section, duly certified by or on behalf of the Secretary of the State, shall be admissible in evidence in any suit, action or proceeding and shall be conclusive evidence of the due and proper filing thereof as aforesaid.

**Sec. 7-233e. Powers.** (a) As used in this section, “person without the state” means a person located outside the state that complies with the standards for interconnection to the transmission or distribution facilities of the public utility to which such person is interconnected.

(b) A municipal electric energy cooperative created in the manner provided in this chapter shall constitute a public body corporate and politic, and in furtherance of its

purpose of providing facilities for the generation and transmission of electric power such municipal electric energy cooperative shall be deemed to be exercising an essential governmental function and shall have the following powers, to wit:

- (1) To adopt and have a common seal and to alter the same;
- (2) To sue and be sued;
- (3) To contract and be contracted with;
- (4) To plan, acquire, construct, reconstruct, operate, maintain, repair, extend or improve one or more projects within or without the state; or to acquire any interest in or any right to capacity of such a project and to act as agent, or designate one or more of the other participants in such project to act as agent, for all the participants in such project in connection with the planning, acquisition, construction, reconstruction, operation, maintenance, repair, extension or improvement of such project;
- (5) To investigate the desirability of and necessity for additional sources and supplies of electric power, and to make such studies, surveys and estimates as may be necessary to determine the feasibility and cost of any such additional sources and supplies of electric power;
- (6) To cooperate with private electric utilities, member and nonmember municipal electric utilities and other public or private electric power entities, within and without the state, or with any person without the state, in the development of such sources and supplies of electric power;
- (7) To procure from the United States of America or any agency or instrumentality thereof, or from any state or agency or instrumentality thereof, any consents, authorizations or approvals that may be requisite to enable any project within its powers to be carried forward;
- (8) To do and perform any acts and things authorized by the act under, through or by means of its cooperative utility board, officers, agents or employees;
- (9) To acquire, hold, use and dispose of its income, revenues, funds and moneys;
- (10) To acquire, own, hire, use, operate and dispose of personal property;
- (11) To acquire, own, use, lease, operate and dispose of real property and interests in real property, and to make improvements thereon;
- (12) To grant the use, by lease or otherwise, and to make charges for the use, of any property or facility owned or controlled by it;

(13) To borrow money and to issue its negotiable bonds or notes, and to enter into any agreements with the purchasers or holders of such bonds or notes or with others for their benefit;

(14) Subject to any agreement with bondholders or noteholders, to invest moneys of the municipal cooperative not required for immediate use, including proceeds from the sale of any bonds or notes, in such obligations, securities and other investments as the cooperative utility board shall deem prudent and in accordance with the laws of the state regarding the investment of public moneys;

(15) To exercise the right of eminent domain, subject to the limitations contained herein;

(16) To fix and determine the location and character of, and all other matters in connection with, any and all projects it may be authorized to acquire, hold, establish, effectuate, operate or control;

(17) To contract with any electric utility, any member or nonmember municipal electric utility, any public or private electric power entity within or without the state, or any person without the state, for the sale, exchange or transmission of electric power or energy generated by any project, or any interest therein or any right to capacity thereof, on such terms and for such period of time as the cooperative utility board shall determine;

(18) To purchase, sell, exchange or transmit electric power and energy within and without the state, to any electric utility, any member or nonmember municipal electric utility or any other public or private electric power entity, or any person without the state; and to enter into agreements with respect to such purchase, sale, exchange, or transmission to any electric utility, any member or nonmember municipal electric utility or any other public or private electric power entity; as one means of implementing the power granted by this subdivision, a municipal electric energy cooperative, if its cooperative utility board shall so determine, may enter into or become a participant in the New England Power Pool or become a market participant pursuant to rules and procedures of the regional independent system operator, as defined in section 16-1; and to acquire, own, hold and dispose of stock or other ownership interests in, or evidences of indebtedness of, any corporation or business entity that constructs electric power generation or transmission facilities or generates, produces, transmits, purchases, sells or exchanges electric power and energy to, or insures the liabilities of, public or private electric power entities located within or without the state, provided the outstanding stock of such corporation is owned in whole or in part by such public or private electric power entities;



(19) To procure insurance against any losses in connection with its property, operations or assets in such amounts and from such insurers as the cooperative utility board deems desirable;

(20) To contract for and to accept any gifts or grants or loans of funds or property or financial or other aid in any form from the United States of America or any agency or instrumentality thereof, or from any other source, and to comply, subject to the provisions of this chapter, with the terms and conditions thereof;

(21) To mortgage, or otherwise hypothecate, any or all of its property or assets to secure the payment of its bonds, notes or other obligations;

(22) To submit to arbitration any disputes with others or among its members;

(23) To produce electric power by the use of cogeneration technology or renewable fuel resources, as defined in section 16-1;

(24) To contract for the purchase or exchange of electricity produced by a person using cogeneration technology or renewable fuel resources, as defined in section 16-1, or for the sale or exchange of electricity produced by the municipal cooperative to such person, provided such purchase, sale or exchange is subject to the rates and conditions of service established in accordance with section 16-243a;

(25) To provide in any agreement executed in connection with a project by or among a municipal cooperative and other participants in such project that, if one or more of such participants defaults in its obligations under such agreement including, without limitation, the payment of principal or interest on their indebtedness issued with respect to such project, the municipal cooperative and the other nondefaulting participants, if any, shall be required to pay such obligations, including the principal of and the interest on such indebtedness, for which the defaulting participant or participants were to have paid, upon such terms and conditions and with such limitations as the cooperative utility board may determine;

(26) To guarantee, in connection with any project, the punctual payment of the principal of and interest on the indebtedness or other contractual obligations of any of the participants in such project;

(27) (A) To enter into agreements with any entity to receive or procure the supply, or the prepayment of the supply, of natural gas for the sole benefit of its member, the City of Norwich Department of Public Utilities, a municipal gas utility, provided (i) such supply, or prepayment of supply, is consumed or used by said utility or by any retail customer of said utility entirely within the geographic boundaries of the city of Norwich or the town of Preston, and (ii) no part of such supply, or prepayment of

supply, shall be consumed or used within or transported to any other municipality or utility, territory, land held in trust by the United States on behalf of a Native American tribe or land located within a Native American reservation or other jurisdiction;

(B) No power granted to a municipal cooperative pursuant to this subdivision shall be exercised so as to impair any existing right, power or privilege of any gas company, as defined in section 16-1;

(28) To exercise and perform all or part of its power and functions for the sole purpose of purchasing, selling, exchanging or transmitting electric power and energy on a wholesale basis, as provided in this chapter, through one or more wholly owned or partly owned corporations or other business entities; and

(29) To exercise all other powers not inconsistent with the state Constitution or the United States Constitution, which may be reasonably necessary or appropriate for or incidental to the effectuation of its authorized purposes or to the exercise of any of the foregoing powers, and generally to exercise in connection with its property and affairs, and in connection with property within its control, any and all powers that might be exercised by a natural person or a private corporation in connection with similar property and affairs.

**Sec. 7-233f. Bonds.** (a) A municipal cooperative shall have the power and is hereby authorized from time to time to issue revenue bonds in such principal amounts as the cooperative utility board shall deem necessary for any of its corporate purposes as set forth under this chapter. A member of a municipal cooperative may not revoke or in any way terminate, amend or modify its membership resolution to the detriment of the bondholders if revenue bonds or obligations issued in anticipation of the issuance of said revenue bonds have been issued and are then outstanding and unpaid as provided for herein.

(b) Revenue bonds of a municipal cooperative shall be payable as to both principal and interest (1) exclusively from the income and revenues of the municipal cooperative derived from one or more of its projects financed from the proceeds of such bonds; or (2) from the income received from one or more revenue producing contracts made by the municipal cooperative with any participant or other contracts entered into for the sale of electric energy authorized under this chapter; or (3) from its revenues generally, subject, however, to any agreements previously made by the municipal cooperative with the holders of any of its outstanding bonds. Any such bonds may be additionally secured by a pledge of any grant, subsidy or contribution from the United States of America or any agency or instrumentality or political subdivision thereof, or a pledge of any income or revenues, funds or moneys of the municipal cooperative derived from any source whatsoever.

(c) Any provision of any law to the contrary notwithstanding, any bonds issued pursuant to this chapter shall be deemed to be negotiable instruments within the meaning and for all purposes of title 42a, and each holder or owner of such bonds, or of any coupons appurtenant thereto, by accepting such bonds or coupons shall be conclusively deemed to have agreed that such bonds or coupons are and shall be fully negotiable within the meaning and for all purposes of said Uniform Commercial Code.

(d) Bonds of a municipal cooperative issued pursuant to this chapter may be issued as serial bonds or as term bonds, or the municipal cooperative, in its discretion, may issue bonds of both types. Bonds shall be authorized by resolution of the cooperative utility board and may be issued in one or more series and shall bear such date or dates, mature at such time or times not exceeding forty years from the date of said bonds, bear interest at such rate or rates, be in such denominations, be in such form, either coupon or registered, carry such conversion, registration and exchange privileges, have such rank or priority, be executed in such manner, be payable in such medium of payment at such place or places within or without the state, be subject to such terms of redemption (with or without premium), and contain or be subject to such other terms, all as such resolution may provide.

(e) If any officer whose signature or a facsimile of whose signature appears on any bonds or coupons ceases to be such officer before delivery of such bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Pending preparation of the definitive bonds, a municipal cooperative may issue temporary bonds which shall be exchanged for such definitive bonds.

(f) Bonds of a municipal cooperative may be sold at public or private sale for such price or prices and in such manner as the cooperative utility board shall determine. Bonds of a municipal cooperative may be issued under the provisions of this chapter without obtaining the consent of any department, division, commission, board, bureau or agency of the state, and without any other proceeding or the happening of any other conditions or other things than those proceedings, conditions or things which are specifically required by this chapter.

(g) The resolution under which any bonds shall be issued shall constitute a contract with the holders of said bonds and may contain provisions, among others, as to:

(1) The terms and provisions of the bonds;

(2) Pledging all or any part of the revenues from any project or projects or any revenue-producing contract or contracts made by the municipal cooperative with any participant to secure the payment of said bonds as provided in the authorizing



resolution, subject to such agreements with the holders of outstanding bonds as may then exist;

(3) The custody, collection, securing, investment and payment of any revenues, assets, moneys, funds or property of a municipal cooperative with respect to which the municipal cooperative may have any rights or interest;

(4) The rates or charges for electric power and energy sold by, or services rendered by, the municipal cooperative, the amount to be raised by such rates or charges and the use and disposition of any or all revenue;

(5) The creation of reserves or sinking funds and the regulation and disposition thereof;

(6) Limitations on the purposes to which the proceeds from the sale of any bonds then or thereafter to be issued may be applied and pledging such proceeds to secure the payment of any such bonds;

(7) Limitations on the issuance of any additional bonds, the terms upon which additional bonds may be issued and secured, and the refunding of outstanding bonds;

(8) The rank or priority of any bonds with respect to any lien or security or as to the acceleration of the maturity of any such bonds;

(9) The creation of special funds or moneys to be held in trust or otherwise for operating expenses, payment or redemption of bonds, reserves or other purposes and as to the use and disposition of moneys held in such funds;

(10) The procedure by which the terms of any contract with or for the benefit of the holders of bonds may be amended or abrogated, the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given;

(11) Defining the acts or omissions to act which shall constitute a default in the duties of the municipal cooperative to holders of its bonds and providing the rights and remedies of such holders in the event of such default including, if the cooperative utility board shall so determine, the right to accelerate the due date of the bonds or the right to appoint a receiver or receivers of the property or revenues subject to the lien of the resolution;

(12) Any other or additional agreements with or for the benefit of the holders of bonds or any covenants or restrictions necessary or desirable to safeguard the interests of such holders;

(13) The custody of any of its properties or investments, the safekeeping thereof, the insurance to be carried thereon, and the use and disposition of insurance moneys;

(14) Vesting in a trustee or trustees within or without the state such properties, rights, powers and duties in trust as the cooperative utility board may determine, which may include any or all of the rights, powers and duties of any trustee appointed pursuant to this section; or limiting or abrogating the rights of the holders of any bonds of a municipal cooperative to appoint a trustee under this chapter or limiting the rights, powers and duties of such trustee; and

(15) Appointing and providing for the duties and obligations of a paying agent or paying agents or such other fiduciaries within or without the state.

(h) (1) It is the intention hereof that any pledge of revenues or other moneys or of a revenue producing contract or contracts made by a municipal cooperative pursuant to this chapter shall be valid and binding from the time when the pledge is made; that the revenues or other moneys or proceeds of any contract or contracts so pledged and thereafter received by the municipal cooperative shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act; and that the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the municipal cooperative irrespective of whether such parties have notice thereof. Neither the cooperative utility board nor any official executing bonds or notes shall be liable personally on the bonds or notes or be subject to any personal liability or accountability by reason of the issuance thereof.

(2) The principal of and interest on bonds issued by a municipal cooperative shall be payable solely from the revenues or funds pledged or available for their payment as authorized in this chapter. Each bond shall contain a statement that the principal thereof or interest thereon is payable solely from such revenues or funds of the municipal cooperative and that neither the state nor any political subdivision thereof nor any member participating in establishing the municipal cooperative nor other participant is obligated to pay such principal or interest and that neither the faith or credit nor taxing power of the state or any political subdivision thereof nor any such member or other participant is pledged to the payment of the principal of or the interest on such bonds. A municipal cooperative shall have no power to pledge the credit or create a debt or liability of the state or any political subdivision thereof or of any member participating in establishing the municipal cooperative or of any participant, and any bonds issued under the provisions of this chapter shall not create or constitute an indebtedness, liability or obligation of the state or of any such political subdivision or any such member or other participant or be or constitute a pledge of the faith and credit of the state or any such political subdivision or any such

member or other participant but all such bonds, unless funded or refunded by bonds of the municipal cooperative, shall be payable solely from revenues or funds pledged or available for their payment as authorized in this chapter.

**Sec. 7-233g. Filing of bond resolution. Notice. Action challenging validity of bond resolution to be brought within twenty days or forever barred.** Any municipal cooperative may cause a copy of any bond resolution adopted by it to be filed for public inspection in its office and in the office of the appropriate public official of the governing body of each of its members and may thereupon cause to be published in a newspaper or newspapers published or circulating in the area of operation a notice stating the fact and date of such adoption and the places where such bond resolution has been so filed for public inspection and also the date of the first publication of such notice and also that any action or proceeding of any kind or nature in any court questioning the validity or proper authorization of bonds provided for by the bond resolution, or the validity of any covenants, agreements or contract provided for by the bond resolution shall be commenced within twenty days after the first publication of such notice. If any such notice shall at any time be published and if no action or proceeding questioning the validity or proper authorization of bonds provided for by the bond resolution referred to in said notice, or the validity of any covenants, agreements or contracts provided for by said bond resolution shall be commenced or instituted within twenty days after the first publication of said notice, then all residents and taxpayers and owners of property in the area of operation and users of the project and all other persons whatsoever shall be forever barred and foreclosed from instituting or commencing any action or proceeding in any court, or from pleading any defense to any action or proceedings, questioning the validity or proper authorization of such bonds, or the validity of any such covenants, agreements or contracts, and said bonds, covenants, agreements and contracts shall be conclusively deemed to be valid and binding obligations in accordance with their terms and tenor.

**Sec. 7-233h. Trust indenture.** In the discretion of the cooperative utility board any bonds issued under the provisions of this chapter may be secured by a trust indenture by way of conveyance, deed of trust or mortgage of any project or any other property of the municipal cooperative, whether or not financed in whole or in part from the proceeds of such bonds, or by a trust agreement by and between the municipal cooperative and a corporate trustee, which may be any trust company or bank having the powers of a trust company within or without the state or by both such conveyance, deed of trust or mortgage and indenture or trust agreement. Such trust indenture or agreement may pledge or assign any or all fees, rents and other charges to be received or proceeds of any contract or contracts pledged, and may convey or mortgage any property of the municipal cooperative. Such trust indenture or agreement may contain such provisions for protecting and enforcing the rights and remedies of the



bondholders as may be reasonable and proper and not in violation of law, including particularly such provisions as have hereinabove been specifically authorized to be included in any resolution or resolutions of the municipal cooperative authorizing the issue of bonds. Any bank or trust company incorporated under the laws of the state may act as depository of the proceeds of such bonds or of revenues or other moneys and may furnish such indemnifying bonds or pledge such securities as may be required by the municipal cooperative. Such trust indenture may set forth the rights and remedies of the bondholders and of the trustee, and may restrict the individual right of action by bondholders. In addition to the foregoing, such trust indenture or agreement may contain such other provisions as the municipal cooperative may deem reasonable and proper for the security of the bondholders. All expenses incurred in carrying out the provisions of such trust indenture or agreement may be treated as a part of the cost of a project.

**Sec. 7-233i. Bond anticipation notes.** A municipal cooperative shall have the power at any time and from time to time after the issuance of bonds thereof shall have been authorized by resolution duly adopted as hereinbefore provided, to borrow money for the purposes for which such bonds are to be issued in anticipation of the receipt of the proceeds of the sale of such bonds and within the authorized maximum amount of such bond issue. Any such loan shall be paid within five (5) years after the date of the initial loan. Bond anticipation notes shall be issued for all moneys so borrowed under the provisions of this section, and such notes may be renewed from time to time, but all such renewal notes shall mature within the time above limited for the payment of the initial loan. Such notes shall be authorized by resolution of the cooperative utility board and shall be in such denomination or denominations, shall bear interest at such rate or rates, shall be in such form and shall be executed in such manner, all as such cooperative utility board shall prescribe in said resolution. If such notes shall be renewal notes, they may be exchanged for notes then outstanding on such terms as the cooperative utility board shall determine. The cooperative utility board may, in its discretion, retire any such notes from the revenues derived from the project or projects or from such other moneys of the municipal cooperative which are lawfully available therefor or from a combination of each, in lieu of retiring them by means of bond proceeds, provided, however, that before the retirement of such notes by any means other than the issuance of bonds it shall amend and modify the resolution authorizing the issuance of the bonds in anticipation of the proceeds of the sale of which such notes shall have been issued so as to reduce the authorized amount of the bond issue by the amount of the notes so retired. Such amendatory or modifying resolution shall take effect immediately upon its passage.

**Sec. 7-233j. Interconnection of electric system lines. Contracts for sale of electricity.** The municipal cooperative is authorized to (1) interconnect the lines of its system with those of other electric systems within or without the state, and to enter

into contracts for the sale of electric energy within or without the state to electric systems constructed, owned, controlled or operated by any electric utility, member or nonmember municipal electric utility or any other public or private electric power entity, or any person without the state; and (2) enter into contracts with other electric utilities, member or nonmember municipal electric utilities, or any other public or private electric power entities within or without the state for standby power upon suitable terms, and for the sale of any surplus power not required for its own operation for sale to any electric utility, member or nonmember municipal electric utility or any other public or private electric power entity within or without the state.

**Sec. 7-233k. Eminent domain.** If a municipal cooperative is unable to agree with the owner or owners of real or personal property upon the terms for the acquisition of the same for any reason whatsoever, then the municipal cooperative may acquire, and is hereby authorized to acquire, all real or personal property that it deems necessary for carrying out the purposes of this chapter, whether a fee simple absolute or a lesser interest, by condemnation or the exercise of the right of eminent domain, under and pursuant to the provisions of part I of chapter 835 and related statutes; provided that, notwithstanding anything herein to the contrary, the municipal cooperative shall have no power of eminent domain with respect to any real or personal property owned by an electric utility, nonmember municipal electric utility or any other public or private electric power entity and used in connection with a system or plant of such electric utility, nonmember municipal electric utility or any other public or private electric power entity. The power of a municipal cooperative to acquire real or personal property by condemnation or the exercise of the power of eminent domain shall be a continuing power and no exercise thereof shall be deemed to exhaust it.

**Sec. 7-233l. Rates.** A municipal cooperative is hereby authorized to fix, establish, maintain and collect, or to authorize, by contract, franchise, lease or otherwise, the establishment, levying and collection of, such rates, fees, rental or other charges, including connection charges, for the services afforded by the municipal cooperative or by or in connection with any properties which it may construct, erect, acquire, own, operate or control, and for the sale of electric energy or transmission capacity or service as it may deem necessary, proper, desirable and reasonable, which said rates, fees, rentals or other charges shall be fixed and established by the municipal cooperative in the manner prescribed in the following section hereof.

**(Sec. 7-233m. Sufficiency of rate schedule. Public hearing. Public inspection.** A municipal cooperative shall prescribe and from time to time when necessary revise a schedule of all of its rates, fees, rentals or other charges, which shall comply with the terms of any resolution, contract or other agreement of the municipal cooperative and shall be such that the revenues of the municipal cooperative will at all times be adequate to pay the expenses of operation and maintenance of its project or projects,

including all reserves, insurance, extension, and replacement costs and to pay the principal of and interest on any bonds or notes of the municipal cooperative issued under this chapter, and to maintain such reserves therefor as may be required by the terms of any resolution, contract or other agreement of the municipal cooperative or as may be deemed necessary or desirable by the municipal cooperative. Said schedule shall thus be prescribed and from time to time revised by the municipal cooperative after public hearing thereon which shall be held by the municipal cooperative at least seven days after notice thereof has been published at least once in the area of operation. A copy of the schedule of such rates, fees, rentals or other charges of the municipal cooperative then in effect shall at all times be kept on file at the principal office of the municipal cooperative and shall at all reasonable times be open to public inspection.

**Sec. 7-233n. Dissolution of cooperative.** The governing bodies of two or more municipal electric utilities which have created a municipal electric energy cooperative pursuant to section 7-233c may, by concurrent resolutions duly adopted by each of such governing bodies within any single calendar year, dissolve such municipal electric energy cooperative on the conditions set forth in this section. Such municipal electric energy cooperative may be dissolved on condition that either the representatives of the municipal electric energy cooperative by resolution duly adopted consent to such dissolution and the municipal electric energy cooperative has no debts or obligations outstanding or that sufficient moneys have been set aside irrevocably in trust to satisfy all of the outstanding debts or obligations of such municipal electric energy cooperative. A copy of each concurrent resolution for the dissolution of a municipal electric energy cooperative adopted pursuant to this section, duly certified by the appropriate officer of the municipal electric utility, shall be filed in the office of the Secretary of the State. Upon proof of such filing of certified copies of the concurrent resolutions for the dissolution of a municipal electric energy cooperative as aforesaid and upon proof either that such municipal electric energy cooperative had no debts or obligations outstanding at the time of the adoption of such resolutions, or that sufficient moneys have been set aside irrevocably in trust to satisfy all of its outstanding debts or obligations, the municipal electric energy cooperative therein referred to shall be conclusively deemed to have been lawfully and properly dissolved and the property of the municipal electric energy cooperative shall be vested in the creating municipal electric utilities or as otherwise provided in agreements between the municipal electric energy cooperative and the members of the municipal electric energy cooperative, provided any such agreements shall treat similarly situated members in a comparable and nondiscriminatory manner. A copy of any such concurrent resolution, duly certified by or on behalf of the Secretary of the State, shall be admissible in evidence in any suit, action, or proceeding, and shall be conclusive evidence of due and proper filing thereof as aforesaid.

**Sec. 7-233o. Conflict of interest.** No representative, officer or employee of a municipal electric energy cooperative shall have or acquire any personal interest, direct or indirect, in any project or in any property included or planned to be included in any project or in any contract or proposed contract for materials or services to be furnished to or used by the municipal electric energy cooperative, but neither the holding of any office or employment in the government of any municipal electric utility or in any municipal electric energy cooperative under any law of the state nor the owning of any property within the state shall be deemed a disqualification for representation on or employment by a municipal electric energy cooperative.

**Sec. 7-233p. Representative compensation.** If the members of a municipal electric energy cooperative are not paying compensation to their representatives pursuant to subsection (a) of section 7-233c, such municipal electric energy cooperative may reimburse its representatives for necessary expenses incurred in the discharge of their duties and pay such reasonable, uniformly applicable compensation to such representatives for their service on the board of such municipal electric energy cooperative as provided in this section. The concurrent resolutions creating a municipal electric energy cooperative may provide that the representatives of the municipal electric energy cooperative may receive annual compensation for their services within limitations to be stated in such concurrent resolutions and in that event, each representative may receive from the municipal electric energy cooperative such compensation for his services as the municipal electric energy cooperative may determine within the limitations stated in such concurrent resolutions. Said provisions or limitations stated in any such resolutions may be amended by subsequent concurrent resolutions, but no reduction of any such limitation shall be effective as to any representative of the municipal electric energy cooperative then in office except upon the written consent of such representative.

**Sec. 7-233q. Competitive bidding. Contracts.** (a) All purchases for supplies, materials or equipment to be made in excess of twenty-five thousand dollars shall be submitted for competitive bid provided that more than one source of such supplies, materials or equipment is available, except this subsection shall not apply to any project or projects in which a municipal electric energy cooperative is an owner of a portion if the project itself is not required to be subject to competitive bidding.

(b) (1) Notwithstanding subsection (a) of this section, any contracts to be entered into by a cooperative created pursuant to this chapter or any project in which such cooperative has an interest or any joint venture or partnership thereof may be entered into as the result of either negotiation, request for proposals, open-bid or sealed-bid method of procurement. In determining the type of procurement method it deems most prudent, the cooperative may consider the scope of work, the management complexities associated therewith, the extent of current and future technological



development requirements and the best interests of the cooperative and its members and participants. The cooperative shall determine the terms and conditions of such contracts and the fees or other compensation to be paid pursuant to such contracts.

(2) The entry into any contract resulting from negotiation or the conduct of a request for proposals pursuant to subdivision (1) of this subsection may be by resolution or by the terms of written policies adopted by the cooperative at the option of the governing body of said cooperative. If the cooperative elects to proceed by negotiation or request for proposals for the procurement of any such contract by the terms of written policies adopted by the cooperative, the contract and the factual basis for the method of procurement shall be recorded and open for public inspection immediately after the award of such contract.

**Sec. 7-233r. Cooperative bonds and notes deemed legal investment.** To the extent permitted by law, the state and all public officers, governmental units and agencies thereof, all banks, trust companies, savings banks and institutions, savings and loan associations, investment companies, and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries, may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or notes issued pursuant to this chapter, and such bonds or notes shall be authorized security for any and all public deposits.

**Sec. 7-233s. Taxation.** The creation of a municipal electric energy cooperative pursuant to the provisions of this chapter is in all respects for the benefit of the people of the state and for the improvement of their health, safety, welfare, comfort and security, and its purposes are public purposes and a municipal cooperative will be performing an essential governmental function. The real and personal property of a municipal electric energy cooperative, and its income and operations, shall be exempt from all taxation by the state and any political subdivision thereof; provided, however, that in connection with the acquisition or construction or ownership of any project or projects, or portions thereof, which may be located outside the boundaries of the members of the municipal cooperative, the municipal cooperative may make payments in lieu of taxation and enter into a contract therefor to the appropriate taxing entity in which such project or projects, or portions thereof, are so acquired or constructed. The state covenants with the purchasers and all subsequent holders and transferees of the notes or bonds issued by a municipal cooperative, in consideration of the acceptance of any payment for the notes or bonds, that the notes or bonds of a municipal cooperative, issued pursuant to this chapter and the income therefrom shall at all times be free from taxation.

**Sec. 7-233t. Exemption from jurisdiction of Public Utilities Regulatory Authority.** A municipal electric energy cooperative created pursuant to the provisions of this chapter shall be exempt from the jurisdiction and control of the Public Utilities Regulatory Authority of this state, except to the extent municipal electric utilities are subject to the Public Utilities Regulatory Authority as of the date of the formation of the municipal cooperative.

**Sec. 7-233u. Severability of provisions.** The respective words, clauses, sentences, paragraphs and sections of this chapter are severable, and the declaration of invalidity of any such word, clause, sentence, paragraph or section shall not invalidate the remaining portions of the chapter.

**Sec. 7-233v. Liberal construction.** This chapter shall be construed liberally to effectuate the legislative intent and the purposes of this chapter as complete and independent authority for the performance of each and every act and thing herein authorized and all authority herein granted shall be broadly interpreted to effectuate such intent and purposes and not as a limitation of powers.

**Sec. 7-233w. Controlling provisions in case of conflict.** Insofar as the provisions of this chapter are inconsistent with the provisions of any other law, general, special or local, or any limitation imposed by a corporate or municipal charter, the provisions of this chapter shall be controlling and all other conflicting laws or limitations of any nature whatsoever are hereby repealed, revoked and rescinded.

**Sec. 7-233x. Power supply contracts between cooperatives and municipal electric utilities.** Any municipal electric utility, as defined in section 7-233b, shall have power, acting on behalf of the municipality with respect to which such municipal electric utility is a department, agency or other such related body, to enter into agreements with any municipal electric energy cooperative, as defined in said section 7-233b, for the purchase, sale, exchange or transmission of electric power or energy on such terms and for such periods of time as agreed upon by such municipal electric utility and such municipal electric energy cooperative, and any such agreement shall be binding on the parties thereto and such municipality, provided such municipality may disapprove and thereby invalidate such agreement by vote of its legislative body at any time no later than thirty days following the date such agreement is filed and appropriately recorded in such municipality for consideration by its legislative body. Any such agreement may include terms providing that the municipal electric utility (1) make payments for electric power and energy based on a formula stated in the agreement, (2) make such payments unconditionally whether or not the agreed upon electric power or energy is provided or otherwise made available or a particular project is completed, operable or operating, and (3) pay obligations of another municipal electric utility if such municipal electric utility fails to make such payments

as required in such agreement. Payments made under such agreements may be recovered in the prices charged by the municipal electric utility.

**Sec. 7-233y. Municipal energy conservation and load management fund.** (a) Each municipal electric utility created pursuant to chapter 101 or by special act shall, for investment in renewable energy sources and for conservation and load management programs pursuant to this section, accrue from each kilowatt hour of its metered firm electric retail sales, exclusive of such sales to United States government naval facilities in this state, no less than the following amounts during the following periods, in a manner conforming to the requirement of this section: (1) 1.0 mills on and after January 1, 2006; (2) 1.3 mills on and after January 1, 2007; (3) 1.6 mills on and after January 1, 2008; (4) 1.9 mills on and after January 1, 2009; (5) 2.2 mills on and after January 1, 2010; and (6) 2.5 mills on and after January 1, 2011.

(b) There is hereby created a municipal energy conservation and load management fund in each municipal electric energy cooperative created pursuant to this chapter, which fund shall be a separate and dedicated fund to be held and administered by such cooperative. Each municipal electric utility created pursuant to chapter 101 or by special act that is a member or participant in such a municipal electric energy cooperative shall accrue and deposit such amounts as specified in subsection (a) of this section into such fund. Any balance remaining in the fund at the end of any fiscal year shall be carried forward in the fiscal year next succeeding. Disbursements from the fund shall be made pursuant to the comprehensive electric conservation and load management plan prepared by the cooperative in accordance with subsection (c) of this section.

(c) Such cooperative shall, annually, adopt a comprehensive plan for the expenditure of such funds by the cooperative on behalf of such municipal electric utilities for the purpose of carrying out electric conservation, investments in renewable energy sources, energy efficiency and electric load management programs funded by the charge accrued pursuant to subsection (a) of this section. The cooperative shall expend or cause to be expended the amounts held in such fund in conformity with the adopted plan. The plan may direct the expenditure of funds on facilities or measures located in any one or more of the service areas of the municipal electric utilities who are members or participants in such cooperative and may provide for the establishment of goals and standards for measuring the cost effectiveness of expenditures made from such fund, for the minimization of federally mandated congestion charges and for achieving appropriate geographic coverage and scope in each such service area. Such plan shall be consistent with the comprehensive plan of the Energy Conservation Management Board established under section 16-245m. Such cooperative, annually, shall submit its plan to such board for review.

**Sec. 7-233z. Comprehensive report.** (a) A municipal electric energy cooperative, created pursuant to this chapter, shall submit a comprehensive report on the activities of the municipal electric utilities with regard to promotion of renewable energy resources. Such report shall identify the standards and activities of municipal electric utilities in the promotion, encouragement and expansion of the deployment and use of renewable energy sources within the service areas of the municipal electric utilities for the prior calendar year. The cooperative shall submit the report to the Clean Energy Finance and Investment Authority not later than ninety days after the end of each calendar year that describes the activities undertaken pursuant to this subsection during the previous calendar year for the promotion and development of renewable energy sources for all electric customer classes.

(b) Such cooperative shall develop standards for the promotion of renewable resources that apply to each municipal electric utility. On or before January 1, 2008, and annually thereafter, such cooperative shall submit such standards to the Clean Energy Finance and Investment Authority.

**Secs. 7-233aa to 7-233hh.** Reserved for future use.



**BYLAWS  
OF THE  
CONNECTICUT MUNICIPAL ELECTRIC ENERGY  
COOPERATIVE**

(Approved October 22, 1976)

(Amended March 15, 1977; April 15, 1981; April 19, 1988; September 24, 1992; October 26, 1995; December 21, 2005; November 21, 2007; April 25, 2013, October 8, 2015) Amended April 27, 2017 with such amendment dated referred to herein as the “2017 Bylaws Amendment”.

**ARTICLE I  
DEFINITIONS, NAME, LOCATION,  
SEAL, PURPOSES, AND GENERAL  
DESCRIPTION OF GOVERNANCE STRUCTURE**

**SECTION 1. DEFINITIONS.**

Capitalized terms used herein shall have the meanings afforded to them as provided herein. If not otherwise expressly defined herein such terms shall have the meanings afforded to such terms pursuant to the Act, or as are provided in the Replacement Power Supply Contracts, as amended (“RPSC”) by and between CMEEC and each of the Members or the General Transmission Services Agreement, as amended by and between CMEEC and each of the Members (the “GTSA”) or the Membership Agreement, as defined below.

In addition to the foregoing, the following terms shall have the following meanings:

“Act” means Public Act 75-634 of the Acts of the State of Connecticut of 1975, subsequently enacted as Title 7, Chapter 101a, Sections 7-233a *et. seq.* of the General Statutes of Connecticut, as amended.

“Alternate Delegate” is as defined in Article I, Section 9.

“Applicable Law” means the requirements of any federal and/or state law, code, statute, rule, regulation, or decree, including the Act, as well as any decree, order or judgment, not otherwise subject to appeal, validly issued or promulgated, and then in effect, by any court, tribunal, arbitrator or governmental agency having competent jurisdiction.

“Associate” is as defined in Article I, Section 8.

“Associate Representative” is as defined in Article I, Section 11.

“CMEEC” is as defined in Article I, Section 2.

“CMEEC Board of Directors” is as further defined in Article I, Section 6. The term “Board” and

“Board of Directors” is used interchangeably with this term and has the same meaning.

“CMEEC Member Delegation” or “Member Delegation” is as further defined in Article I, Section 6.

“CMEEC Vision, Mission, and Objectives” means the formally published business management tools, as revised from time to time, consisting of hierarchically related components, including CMEEC’s visionary statement of its future desired state (“Vision”), CMEEC’s mission statement defining the manner in which the Vision shall be achieved (“Mission”), and the CMEEC key performance areas of focus and the associated metrics used in executing to the Mission and Vision (“Objectives”); such Vision, Mission and Objectives, and subsequent amendments thereto, shall be recommended by the CMEEC Chief Executive Officer to the CMEEC Board of Directors and approved by the CMEEC Board of Directors.

“Common Control” means two (2) or more Members that are Related Party Members, where one Related Party Member or its municipality, Owns and/or Controls the other Related Party Member(s). For purposes of this definition and that of “Related Party Member”, to “Own” means that a Member or its municipality has legal or equitable title or other incidents of ownership comprising more than ten percent (10%) of the ownership interests in another Member; to “Control” means to have the power to appoint or designate a majority of the officials of the governing body of another Member.

“Creating Agreement” means the “Restated and Amended Agreement made by and between the Boards of Public Utility Commissioners of the City of Norwich, the City of Groton, and the Borough of Jewett City, all of Connecticut”, dated October 1, 1987, as amended and restated.

“Director” is as defined in Article I, Section 10. The term “Member Representative” is used interchangeably with this term and has the same meaning.

“Legislative Body Appointee” is a person or persons appointed by a Member’s legislative body or a Connecticut State legislative or regulatory body to serve as an ex officio, non-voting monitor of CMEEC Board meetings, and not possessing CMEEC fiduciary responsibilities. The Legislative Body Appointee, when monitoring any CMEEC Regular Board of Directors’ meeting pursuant to these Bylaws, shall not be entitled to vote on any matter coming before the Board and may only provide his or her specific perspective and or position on the matter. The Legislative Body Appointee(s) shall not serve in any Officer role, Member Representative, Alternate Representative, Member Delegate, Alternate Delegate, as further defined herein, or act in, the capacity of an agent or representative of CMEEC.

“Member” is as defined in Article I, Section 7.

“Member Delegate” is as defined in Article I, Section 9.

“Member Delegation Chair” is as defined in Article II, Section 1.

“Member Representative” is as defined in Article I, Section 10. The term “Director” is used interchangeably with this term and has the same meaning.

“Membership Agreement” or “MA” shall mean a certain Membership Agreement, as it may be amended, by and among the Members of CMEEC, and such other future Members who become Members of CMEEC in accordance with the Act and such Membership Agreement.

“Municipal Electric Utility” shall have the same meaning as is afforded such term by the Act.

“New Member” shall mean a Member first becoming a Member of CMEEC following the Effective Date of the 2017 Bylaw Amendments.

“Related Party Member” means a Member that is related to another Member by reason of the following: (i) such Member, or its municipality, owns another Member or is owned by another Member, or its municipality; and/or (ii) such Member, or its municipality, Controls another Member or is Controlled by another Member, or its municipality.

## **SECTION 2. NAME.**

The name of the Cooperative is the Connecticut Municipal Electric Energy Cooperative (“Cooperative” or “CMEEC”).

## **SECTION 3. LOCATION.**

The principal office of CMEEC shall be located in Norwich, Connecticut, or in such other location in the State of Connecticut as may be designated by the CMEEC Board of Directors.

## **SECTION 4. CORPORATE SEAL.**

The Board may adopt and alter the seal of CMEEC.

## **SECTION 5. PURPOSES.**

The purposes for which CMEEC is organized are to undertake: (a) the procurement, management, provision, and transmission of electric products, including, but not limited to, electric commodity, ancillary and support services, and transmission services; (b) the planning, financing, development, acquisition, construction, reconstruction, improvement, enlargement, betterment, operation, and maintenance of a project or projects to supply electric power and energy for the present and future needs of its Members, and others as contractually provided; and (c) to do and perform all acts and things for the benefit of its Members, and others as contractually provided, which by law, expressed or implied, it is authorized, empowered, or permitted to do and perform.

## **SECTION 6: GENERAL GOVERNANCE STRUCTURE.**

### **SECTION 6.1. GENERAL.**

CMEEC shall be managed by two governing bodies, subject to separate and distinct sets of structures, and requirements, for the purpose of maintaining appropriate segregation of interests and responsibilities, namely: (a) the CMEEC Member Delegation, through which the CMEEC Members act collectively, as defined further below, with respect to issues relating to their ownership, as Members of CMEEC, and (b) the CMEEC Board of Directors, comprised of Member Representatives named by each of the Members, as further defined herein, with respect to the operational management of CMEEC and as otherwise required pursuant to the Act. The roles and function of each of the CMEEC Member Delegation and the CMEEC Board of Directors are further described below in Article I, Sections 6.2 and 6.3.

### **SECTION 6.2. CMEEC Member Delegation.**

The CMEEC Member Delegation is established and shall serve as the body to oversee and administer the individual and collective ownership-related interests of the Members in CMEEC, in their capacity as Members of CMEEC. The CMEEC Member Delegation shall be established and shall operate pursuant to Article II below. The CMEEC Member Delegation scope of responsibilities shall include, but not be limited to ensuring the interests of the Member Delegation are achieved through the development and implementation of, and ongoing execution to the CMEEC Vision, Mission, and Objectives by the CMEEC Board of Directors. The CMEEC Member Delegation shall possess the primary responsibility for managing all matters related to membership, equity requirements, and the financial stability of CMEEC, and as provided for in the voting requirements in Article II, applicable to the Member Delegation.

### **SECTION 6.3. CMEEC Board of Directors.**

The CMEEC Board of Directors shall serve as the governing and oversight body for the individual and collective interests of the Members and customers of CMEEC, with such fiduciary duties as apply pursuant to the Act and Applicable Law, with respect to CMEEC's operations and in otherwise fulfilling the purposes as stated in this Section 6.3, and as further defined in Article III, and in Article IV hereof. The CMEEC Board of Directors, comprised of the Member Representatives, as further defined herein, shall provide operational oversight of the CMEEC Chief Executive Officer in executing to and fulfilling the Vision, Mission, and Objectives.



## **SECTION 7. MEMBER(S).**

The Member(s) of CMEEC (individually a “Member”, collectively the “Members”) are defined as the Municipal Electric Utilities within Connecticut, which have executed and acceded to participation under the Membership Agreement to participate as Members in CMEEC. The Member(s) shall include, where the context in these Bylaws requires, the Cities of Norwich and Groton, the Borough of Jewett City, the Second and Third Taxing Districts of the City of Norwalk, Bozrah Light and Power Company, acting by and through their Municipal Electric Utilities by authority of their Boards of Public Utility Commissioners, and such other Municipal Electric Utilities as may apply for, and be approved as New Members, by entering into and satisfactorily fulfilling the requirements for entry into the Membership Agreement, and by the due adoption and filing of such documentation as is required of the Members to authorize such additional Members and the filing of such documentation with the office of the Secretary of State of the State of Connecticut, as applicable, all in accordance with the Act and the provisions of the Membership Agreement.

## **SECTION 8. ASSOCIATE of CMEEC.**

An Associate of CMEEC (“Associate”) is a Municipal Electric Utility or other entity that is a full requirements customer of CMEEC under Rate 9, or the then current Rate reference, where such Rate provides for the supply by CMEEC of a consolidated customer portfolio for the provision of Electric Products and Transmission Services to a customer group formed primarily by the Members. Associate status is available to those non-Member customers of CMEEC contracted for service from CMEEC under Rate 9, subject to the determination by the Board in the exercise of its sole and exclusive discretion. An Associate may be granted, by the determination of the Board, one (1) seat for participation at the CMEEC Regular Board of Director. The method for appointment and roles and responsibilities of such Associate Representative shall be as provided for in Article I, Section 11 below.

## **SECTION 9. MEMBER DELEGATE SERVICE ON THE CMEEC MEMBER DELEGATION.**

From the two (2) Member Representatives and the two (2) Alternate Representatives, appointed pursuant to Article I, Section 10 below, one (1) shall be selected and further appointed by the Member as the sole Member Delegate, to act with the full powers and duties of the Member while serving on the CMEEC Member Delegation with respect to all matters which come before the Member Delegation and one (1) shall be selected and further appointed to act with the full powers and duties of the Member Delegate representing such Member with respect to matters coming before the CMEEC Member Delegation in the event of the absence or unavailability of the Member Delegate of such Member (with such person referred to herein as the “Alternate Delegate”). The Member shall transmit notice of such appointments to CMEEC and such appointments shall thereafter be effective for all purposes, except in cases of resignation, removal, or replacement as provided in a subsequent notice by the Member to CMEEC. The Alternate Delegate position may be filled by one (1) of the remaining three (3) Member Representatives or Alternate Representatives as an alternate to serve in his/her place as

the Member Delegate on an as required basis when the Member Delegate is not available to participate and/or vote on matters coming before the CMEEC Member Delegation.

#### **SECTION 10. CMEEC MEMBER REPRESENTATIVES SERVING ON THE CMEEC BOARD OF DIRECTORS.**

Member Representative(s or Director(s)) is (are) defined as the person or persons appointed by each Member's governing body to serve on the CMEEC Board of Directors. Each Member MEU governing body shall appoint two (2) Member Representatives to the CMEEC Board of Directors. Each Member MEU governing body shall also appoint two (2) alternate representatives (the "Member Representative Alternates"). Each such Member Representative Alternate shall be empowered to serve in the place of either of the Member Representatives to the CMEEC Board of Directors or both, as applicable, in the event of the absence or unavailability of such Member Representative(s) to participate and/or vote on matters coming before the CMEEC Board of Directors, to serve in the place of either or both of the Member Representatives, as the case may be, and to act with the full powers and duties of the Member Representative(s) in such circumstances. Each Member Representative or Member Representative Alternate must be an Official (Officer, Director, Commissioner, or high-ranking employee) of such Member.

#### **SECTION 11. ASSOCIATE REPRESENTATIVE.**

Each Associate Representative is defined as the person appointed by the governing body of an Associate to participate in CMEEC Regular Board of Directors' meetings as provided pursuant to these Bylaws. The Associate Representative appointed by their governing body is subject to CMEEC Board of Directors' approval, not to be unreasonably withheld. The Associate Representative is not entitled to participate in the deliberations, the taking of any votes or other governance in any form of CMEEC Member Delegation meetings, or CMEEC Board of Director Special meetings, Annual meetings, or any Executive Sessions of meetings of the Member Delegation or CMEEC Board of Directors, other than if specifically invited by the Member Delegation or CMEEC Board of Directors, as applicable. The Associate Representative shall be either the highest-ranking utility employee of the Associate, or a member of the governing body of the Associate. When participating in any CMEEC Regular Board of Directors' meeting pursuant to this Section, the Associate Representative(s) shall not be entitled to vote on any matter coming before the Board and may only provide his or her specific perspective and or position on the matter. The Associate Representative shall not serve in any Officer role, as further defined herein, or act in, the capacity of an agent or representative of CMEEC.

## **ARTICLE II**

### **CMEEC MEMBER DELEGATION MEETINGS.**

#### **SECTION 1. GENERAL MATTERS.**

The Member Delegation shall appoint from among the Member Delegates by majority vote during each Annual Meeting, to serve for a term of the longer of one (1) year or until the completion of the next Annual Meeting following such initial selection and appointment, a person (the "Member Delegation Chair") to act in the capacity of chairperson with respect to the administration requirements of the CMEEC Member Delegation and the conduct and administration of the meetings of the CMEEC Member Delegation. The Member Delegation Chair may also serve simultaneously as the Chairperson of the Board if so elected by the Board pursuant to the procedures set forth herein. The Member Delegation may convene in Executive Session during any meeting of the Member Delegation in accordance with the provisions of Applicable Law.

#### **SECTION 2. ANNUAL CMEEC MEMBER DELEGATION MEETING.**

The annual meeting of the CMEEC Member Delegation shall be conducted on the third Thursday of November of each year at the offices of CMEEC, or on such other date or in such other location in the State of Connecticut as the CMEEC Member Delegation shall determine by official action of the CMEEC Member Delegation.

#### **SECTION 3. CMEEC MEMBER DELEGATION SPECIAL MEETINGS.**

The Member Delegation Chair may call special CMEEC Member Delegation meetings at any time, subject to compliance with the notice requirements of Applicable Law. The Member Delegation Chair shall call a Special CMEEC Member Delegation meeting whenever so requested in writing by a majority of the Member Delegates. No business other than the subject matter specified in the call for the meeting shall be transacted at any such special meeting of the CMEEC Member Delegation. Meetings of the CMEEC Member Delegation, other than the Annual CMEEC Member Delegation meeting, may be conducted in any geographic location, and such meetings are not restricted to the State of Connecticut as long as properly noticed.

#### **SECTION 4. CMEEC MEMBER DELEGATION QUORUM.**

The Member Delegate or Alternate Delegate in substitution for such Member Delegate, as provided herein, shall vote on behalf of such Member at any Special or Annual meetings of the CMEEC Member Delegation. The physical, in person presence at such meeting, or presence and participation via any form of real-time electronic communication technology, of a majority of Member Delegates (or Alternate Delegates) representing the majority of the Members shall be necessary to constitute a quorum for the transaction of business in any meeting of the Member Delegation. The Member Delegate (or Alternate Delegate) of a Member then in default which is not cured under the RPSC or GTSA, a Member subject to the procedure for Involuntary

Withdrawal under the MA, and or a Member that has provided notice of withdrawal under the MA, the RPSC, and/or the GTSA, as applicable, shall no longer retain voting rights with respect to matters coming before the Member Delegation for vote and shall not be considered in constituting a quorum.

## **SECTION 5. CMEEC MEMBER DELEGATION VOTING.**

At all meetings of the CMEEC Member Delegation, all formal actions shall be determined by a majority vote of the Members cast by the Member Delegates, present in person or present and participating by means of real time electronic communication technology, except where such vote is specifically regulated by statute, including the Act, or as further defined in this Section 5 below. Each Member Delegate, or Alternate Delegate if authorized pursuant to these Bylaws, shall be entitled to cast one (1) vote in any vote taken by the Member Delegation. At all meetings of the CMEEC Member Delegation, all actions requiring vote by the Members are subject to the majority, supra-majority, unanimous, and weighted voting requirements as listed below, as identified by specific topic or category. Where not specifically identified herein, the subject matter of a vote or formal action coming before and/or required of the Member Delegation voting shall be determined by the Regular Vote Requirement as set forth below.

### **Unanimous Vote Requirement**

(Equal to one hundred percent (100%) of the votes of the Member Delegates (or Alternate Delegates duly authorized) present or participating through real time electronic technology):

- Changes in voting method and requirements, as provided in these Bylaws.
- Membership involuntary withdrawal for Extraordinary Circumstances

### **Special Vote Requirement of Two-Thirds**

(Equal to or greater than two thirds (for convention purposes equated to 66.666% of the votes of the Member Delegates (or Alternate Delegate(s) duly authorized) present or participating through real time electronic technology) :

- New Membership request and acceptance
- Associate Representative: establishment, acceptance and termination
- Membership involuntary withdrawal
- CMEEC Target Equity Levels, and as provided for in the Membership Agreement, Member Target Equity Levels
- Membership Interest Levels for New Members and annual recalculation
- Equity allocation and declaration of equity
- Bylaw revisions and amendments, excluding changes in voting method and requirements.



### **Regular Vote Requirement of Simple Majority:**

(Equal to or greater than fifty-one percent (51%) of the votes of the Member Delegates (or Alternate Delegate(s) duly authorized) present or participating through real time electronic technology):

- Trust Fund utilization requirements in a manner in conformity and compliance with the requirements of any applicable trust instrument.
- Schedule of CMEEC Member Delegation meetings

### **Weighted Vote Requirement:**

Pursuant to Conn. Gen. Stat. Section 7-233c(g), CMEEC does hereby adopt, for prospective effect, the following procedure for the taking of a weighted vote with respect to actions coming before and made by the Member Delegation. A weighted vote, if called with respect to matters coming before and taken by the Member Delegation, shall require: (a) a vote equal to or greater than sixty percent (60%) of the votes of the Member Delegates for each Member present, where each Member Delegate's vote is weighted by the fraction comprised of the previous five (5) year rolling average total load of the Member appointing such Member Delegate, divided by the previous five (5) year rolling average total load of all of the Members; and (b) a minimum of two (2) Member Delegates' votes constituting the sixty percent (60%). For purposes of satisfying sub-part (b) of this Art. II, sec. 5, the votes of the Member Delegates of two (2) or more Related Party Members under Common Control shall be deemed to be a single vote. For purpose of weighted voting, only one Member Delegate per Member is permitted to vote, and the five year period to determine load shall be the then most recent period starting on July 1 for the five prior years and ending on June 30 in the most recent or current year. As used in this section, "load" shall mean with respect to any Member, the total electric energy measured in megawatt hours (MWh) delivered by CMEEC to the applicable Member, including special contracts of the Member, and as reconstituted for CMEEC program-level load reduction activities. As used in this section, "load" with respect to New Members shall be based on the total electric energy delivered by CMEEC to such New Member during the five prior years shall occur as provided in the prior sentence, inclusive of such periods before such New Member became a Member. No partial voting by any one Member Delegate is permitted.

A Member Delegate may request a weighted vote at any time with respect to the Regular Vote Requirement only. Matters subject to determination by Special Vote and Unanimous Vote are not subject to the Weighted Vote requirement by definition.

### **SECTION 6. NOTICE.**

Notice of the time and place and general purposes of all Annual and Special CMEEC Member Delegation meetings shall be mailed or otherwise issued by electronic correspondence, as

provided by and in conformity with Applicable Law and as provided in these Bylaws, by the CMEEC Member Delegation Chair and shall include transmittal of notice of such meeting by electronic correspondence to each Member Delegate, or, upon the default or assignment, by the person calling the meeting. Notices must be transmitted no less than seven (7) days in advance of the meeting and no greater than forty (40) days in advance of the meeting, provided that, other than in emergency conditions, the call for the meeting shall normally be issued with as much advance notice as practical. Special meetings of the CMEEC Member Delegation may be scheduled at such time and place as the CMEEC Member Delegation may determine.

#### **SECTION 7. WAIVER OF NOTICE.**

Whenever any notice is required to be given to any Member Delegate under the provisions of law, a waiver thereof in writing signed by such Member Delegate, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a Member Delegate at any meeting of the CMEEC Member Delegation shall constitute a waiver by such Member Delegate of notice of such meeting, except when such Member Delegate attends such meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

### **ARTICLE III** **CMEEC BOARD of DIRECTORS**

#### **SECTION 1. PURPOSE AND NUMBER OF DIRECTORS.**

The operational affairs and business of CMEEC shall be managed by a CMEEC Board of Directors appointed in accordance with Article I herein. The number of persons serving on the CMEEC Board of Directors at any time shall be two (2) Member Representatives named by each Member and representing such Member on the CMEEC Board of Directors.

#### **SECTION 2. TERM OF OFFICE OF MEMBER REPRESENTATIVES.**

The term of office of each Member Representative shall be determined by each Member's governing body, and as may be thereafter modified by the Member's governing body, with notice of such term of appointment or modification thereof provided by the Member to CMEEC. The appointment and continued service on the CMEEC Board of Directors of any Member Representative shall be deemed effective for all purposes unless and until modified by notice transmitted by the Member to CMEEC. The Member's governing body retains the responsibility to re-appoint any Member Representative or to appoint a replacement upon the expiration of his or her term of office and to appoint a replacement in the event of resignation of a Member Representative prior to the expiration of his or her term or to appoint a replacement. To maintain continuity of representation on the CMEEC Board of Directors, the term of office of each Member Representative shall be no less than one (1) year and the terms of office of each Member Representative representing a single Member shall expire at intervals no less than one (1) year apart, unless appointment of a Member Representative is required on a more frequent basis to fill the office due to the resignation of a Member Representative or if an emergency condition exists.

### **SECTION 3. DUTIES AND EXPECTATIONS OF BOARD OF DIRECTORS.**

The duties of the Board of Directors shall be to govern the business and affairs of CMEEC; to exercise all powers of CMEEC; to comply with the provisions of the Act; and to keep the minutes of its proceedings. The Board of Directors shall be comprised of the Member Representatives (and Alternate Representatives as duly authorized pursuant to these Bylaws). The expectations of performance of duties of the Member Representatives (and duly authorized Alternate Representatives) in serving on the CMEEC Board of Directors are as defined herein, and shall include, but not be limited to:

- (a) To attend and participate in at least sixty-five percent (65%) of the combined, applicable CMEEC Board of Director Committee meetings, with such attendance and participation requirement satisfied by physical presence or presence by real-time electronic means as otherwise provided under these Bylaws, CMEEC Board of Director meetings, and formally called industry and role development sessions;
- (b) To become familiar and knowledgeable about, and develop opinions on, the material provided to the CMEEC Board of Directors and presented at the CMEEC Board of Director meetings and Committee meetings;
- (c) To be prepared to discuss information provided to the CMEEC Board of Directors for the scheduled Board of Director meetings and Committee meetings;
- (d) To become knowledgeable about the issues of importance to the electric utility industry, the Municipal Electric Utilities and the CMEEC Board of Directors Committee matters in which the individual is participating;
- (e) To be prepared to evaluate the performance of the CMEEC Board of Directors and CMEEC overall in achieving the goals established by the Board of Directors for the benefit of achieving the CMEEC Vision, Mission, and Objectives.

### **SECTION 4. CMEEC BOARD OF DIRECTOR MEETINGS.**

- (a) The Annual Meeting of the CMEEC Board of Directors shall be conducted in conjunction with the Annual meeting of the CMEEC Member Delegation, unless otherwise required for schedule adjustment or by direction of the Member Delegation Chair.
- (b) Regular CMEEC Board of Director meetings shall be conducted at such times as the Board of Directors may determine, or as required by Applicable Law.
- (c) Special CMEEC Board of Director meetings may be called by order of the Chairperson of the CMEEC Board of Directors, or whenever so requested in writing by a majority of the Member Representatives, with notice by the Secretary of the CMEEC Board of Directors made in accordance with Applicable Law.
- (d) Any and all CMEEC Board of Directors meetings shall be conducted within the State of Connecticut.
- (e) CMEEC Board of Director meetings may be held from time to time by unanimous resolution of all Member Representatives, designating the time and place for the holding of an emergency CMEEC Board of Directors meeting without notice to the Member Representatives other than pursuant to such resolution.

- (f) The CMEEC Board of Directors adopts “Robert’s Rules of Order” as the general guide for the parliamentary governance and conduct of the meetings of the Board of Directors except where such rules are in conflict with the Act, the Membership Agreement, or the Bylaws, in which case the Act, the Membership Agreement, and/or the Bylaws shall prevail.

#### **SECTION 5. CMEEC BOARD OF DIRECTORS QUORUM.**

At any meeting of the CMEEC Board of Directors, a majority of the voting Member Representatives (and any Alternate Representative(s) substituting for Member Representative(s) as provided herein), present or present by real-time electronic means, shall constitute a quorum for the transaction of business; but in the event of a quorum not being present, a lesser number may adjourn the meeting to some future time, not less than one (1) day later nor more than thirty-five (35) days later. The act of a majority of the Member Representatives (or duly authorized Alternate Representatives) present or present by real-time electronic means at a CMEEC Board of Directors’ meeting at which there is a quorum shall be the act of the Board of Directors, unless the Secretary determines that a Board of Directors’ supra-majority or unanimous vote is required, or unless there is a call by any Member Representative for a weighted vote, subject to the provisions of Section 6 of this Article III. Associate Representatives shall not be included in constituting a quorum.

The Member Representatives (and Alternate Representatives) of a Member in default and not cured under the RPSC or GTSA, a Member subject to Involuntary Withdrawal under the MA and or a Member that has provided notice of withdrawal under the MA, the RPSC and/or the GTSA., shall no longer retain voting rights on the Board of Directors following, as applicable, such default, initiation of procedure or notice of termination and shall not be considered in constituting a quorum. Attendance and participation of the Member Representatives or Alternate Representatives, if otherwise applicable, for purposes of satisfying the quorum requirements set forth herein may be satisfied through attendance and participation by real-time electronic means as provided in Art. II, Section 4 hereof.

#### **SECTION 6. CMEEC BOARD OF DIRECTORS VOTING.**

At all CMEEC Board of Director meetings, all formal actions shall be determined by a majority vote of the Members via their Member Representatives, present in person or by real time electronic communication technology, except where such vote is specifically regulated by statute, including the Act, or as further defined in this Section 6 below. Each Member Representative shall be entitled to cast one (1) vote. At all CMEEC Board of Director meetings, all actions requiring vote by the Members are subject to the majority, supra-majority, unanimous, and weighted voting requirements as listed below, as identified by specific topic or category. Where not specifically identified herein, subject matter requiring a vote or formal action by the Member Representatives shall be made pursuant to the Regular Vote Requirement.

##### **Unanimous Vote Requirement**

(Equal to one hundred percent (100%) of the votes of the Member Representatives



present or participating by real-time electronic technology):

- (no unanimous vote requirements currently established for the CMEEC Board of Directors)

### **Special Vote Requirement of Two-Thirds**

(By convention determined to be equal to or greater than 66.666% of the votes of the Member Representatives present or participating by real-time electronic technology):

- (no special vote requirements currently established for the CMEEC Board of Directors)

### **Regular Vote Requirement of Simple Majority:**

(Equal to or greater than fifty-one percent (51%) of the votes of the Member Representatives present or participating by real-time electronic technology)

- Resolution for calling a Regular CMEEC Board of Directors meeting
- Board Officer(s) and Board Committee appointments and terminations
- Policy changes for Board of Director compensation and reimbursement
- Debt issuance and restructuring, and other instruments utilized for indebtedness and liquidity
- Changes to Rate 9, Rate 10, or other specific rates, for purpose of electric products and transmission services
- Budget approval and budget revision
- Contract execution for full or partial requirements electric energy supply, or other contracts binding on CMEEC with a term extending for more than five (5) years, regardless of the contracted service, product, or other purpose of such contract.
- Risk Management Policy and other Board directives or policies in conducting CMEEC business.
- CEO employment related actions, including contract terms and conditions, compensation adjustments, etc.

### **Weighted Vote Requirement:**

Pursuant to Conn. Gen. Stat. Section 7-233c(g), CMEEC does hereby adopt the following procedure for the taking of a weighted vote with respect to actions coming before and made by the Board of Directors. A weighted vote of the Board of Directors, if called pursuant to the Act, shall require: (a) a vote equal to or greater than sixty percent (60%) of the votes of the Member Representatives present, where each Member Representative's vote is weighted by the fraction comprised of the previous five (5) year rolling average total load of the Member appointing such Member Representative, divided by the previous five (5) year rolling average total load of all of the Members; and (b) a minimum of four (4) Member Representatives' votes constituting the sixty percent (60%). For purposes of satisfying sub-part (b) of this Art. III, sec. 6, the collective votes of the

Member Representatives of two (2) or more Related Party Members under Common Control shall be deemed to be two (2) votes. For purpose of weighted voting, two Member Representatives per Member are permitted to vote, and the five year period to determine load shall be the then most recent period starting on July 1 for the five prior years and ending on June 30 in the most recent or current year. As used in this section, “load” shall mean with respect to any Member, the total electric energy measured in megawatt hours (MWh) delivered by CMEEC to the applicable Member, including special contracts of the Member, and as reconstituted for CMEEC program- level load reduction activities. As used in this section, “load” with respect to New Members shall be based on the total electric energy delivered by CMEEC to such New Member during the five prior years shall occur as provided in the prior sentence, inclusive of such periods before such New Member became a Member. No partial voting by any one Member Representative is permitted.

A Member Representative may request a weighted vote at any time with respect to matters subject to the Regular Vote Requirement only. Special Vote and Unanimous Vote are not eligible for Weighted Vote, by definition, because their respective minimum requirements are greater than the Weighted Vote convention.

#### **SECTION 7. CMEEC BOARD OF DIRECTORS VACANCIES.**

A vacancy occurring in the CMEEC Board of Directors, whether such vacancy be the result of a resignation, death, removal, or disability, shall be filled by the appointment of a successor Member Representative by the Member which appointed the Member Representative whose position has become vacant.

#### **SECTION 8. CMEEC BOARD OF DIRECTORS REMOVAL OF REPRESENTATIVE.**

A Member Representative may be removed as provided in the Act, Membership Agreement, Bylaws, and Applicable Law.

The Legislative Body Appointments (or ex officio monitor) shall cease to serve in such role immediately and automatically upon the appointing authority ceasing to be in office or no longer holding the position from which the appointing authority originated. No further action of the CMEEC Board of Directors is required.

#### **SECTION 9. CMEEC BOARD OF DIRECTORS UNANIMOUS CONSENT.**

Under an emergency condition and in lieu of any Regular or Special CMEEC Board of Directors meetings and vote of the Member Representatives, the unanimous written consent of all Member Representatives may be filed with the Secretary of the CMEEC Board of Directors with respect to any action taken, or to be taken, by the Member Representatives. Said consents shall, when filed, have the same force and effect as a unanimous vote of the Member Representatives.

#### **SECTION 10. CMEEC BOARD OF DIRECTOR CHAIRPERSON.**

The CMEEC Board of Directors shall elect a Chairperson and a Vice-Chairperson who shall meet the requirements set forth in the Bylaws.

#### **SECTION 11. POWERS OF CMEEC BOARD OF DIRECTORS.**

The business of CMEEC shall be governed by the Board of Directors, which shall have and may exercise all the powers of CMEEC provided in the Act and as otherwise further defined in the Membership Agreement and Bylaws.

#### **SECTION 12. EXECUTIVE SESSIONS OF THE CMEEC BOARD OF DIRECTORS.**

The Board of Directors may call and hold any Executive Sessions for Member Representatives in accordance with the provisions of the Open Meeting laws of the State of Connecticut and applicable law governing the conduct of such Executive Sessions.

#### **SECTION 13. CONTRACTS.**

Except as otherwise provided by law, the CMEEC Board of Directors may authorize any Officer or Officers, agent or agents, employee or employees, to enter into any contract or to execute and deliver any instrument in the name and on behalf of CMEEC.

#### **SECTION 14. CHECKS, DRAFTS, FINANCIAL DOCUMENTATION.**

All checks, drafts, or other orders for payment of money, and all notes, bonds, or other evidences of indebtedness issued in the name of CMEEC shall be signed by such Officer or Officers, agent or agents, employee or employees of CMEEC, and in such manner consistent with policies of the CMEEC Board of Directors.

#### **SECTION 15. DEPOSITS.**

All funds of CMEEC shall be deposited from time to time to the credit of CMEEC, pursuant to law, in such bank or banks as the CMEEC Board of Directors may approve, in conformance with CMEEC's Power Supply System Revenue Bond Resolution(s) as amended.

#### **SECTION 16. COMMITTEES OF THE CMEEC BOARD OF DIRECTORS.**

The CMEEC Board of Directors may appoint designated committees (individually or collectively referred to herein as the "Committee(s)") of the Board of Directors as it deems necessary from time to time to perform duties as may be approved and delegated by the Board of Directors. Such Committees and participation in such Committees shall be determined by the Board of Directors based on the qualifications deemed appropriate for such participation and the duties deemed necessary to be performed. The Board of Directors may appoint any qualified

person, Member Representative, or CMEEC employee to serve on such Committees based on the qualifications specified by the Charter of the affected Committee as approved by the Board of Directors, and where appropriate, the Board of Directors may set compensation for service by any such individual(s) on such Committees. The standing Committees of the Board of Directors, as may be changed at any time from time to time by vote of the Board of Directors, shall include the following:

- Budget & Finance Committee
- Audit Committee
- Compensation and/ or Policy Committee
- Risk Management Committee
- Governance Committee
- Legislative Committee

#### **ARTICLE IV** **CMEEC OFFICERS**

##### **SECTION 1. NUMBER OF OFFICERS.**

The Officers of CMEEC shall be a Chairperson, Vice- Chairperson, Secretary, Treasurer, Chief Executive Officer, Chief Financial Officer, and such other Officers and assistant Officers as may be authorized by the Board of Directors from time to time to perform such duties as may be approved by the Board of Directors. The Chairperson and Vice-Chairperson shall be Member Representatives on the Board of Directors. The offices of the Secretary and Treasurer may be fulfilled by CMEEC employees, as approved by vote of the Board of Directors. The Chief Executive Officer and the Chief Financial Officer shall be CMEEC employees, and shall not be subject to the initial and regular elections and terms of office as provided for in Article IV, Section 2.

##### **SECTION 2. ELECTION OF OFFICERS.**

- (a) Initial Election of Officers. At the first meeting of the Board of Directors, the Member Representatives shall elect the Chairperson, Vice Chairperson, Secretary, and Treasurer Officer roles, who shall serve as such Officers of CMEEC until the next succeeding Annual CMEEC Board of Directors meeting, or such later term as may be approved by the Board of Directors and shall serve in such office until their successors are elected and qualified. as provided in this Article IV, Section 2(a).
- (b) Regular Elections and Term of Office. The Chairperson, Vice Chairperson, Secretary, and Treasurer shall be elected annually, or for a longer term as approved by the Board of Directors, by action duly taken at the Annual CMEEC Board of Directors meeting. If the election of the Chairperson, Vice Chairperson, Secretary, and Treasurer shall not be held at such meeting, such election shall be held as soon thereafter as may be



convenient. Vacancies of the Chairperson, Vice Chairperson, Secretary, and Treasurer may be filled at any meeting of the Board of Directors. Each Chairperson, Vice Chairperson, Secretary, and Treasurer shall hold office until the next succeeding Annual Meeting of the Board of Directors or until their successor is elected and qualified, whichever is later.

### **SECTION 3. DUTIES OF OFFICERS.**

In addition to duties designated by the Board of Directors, the duties of the Officers of the Board of Directors and of CMEEC are as follows:

**Chairperson:** The Chairperson shall preside at all meetings of the Board of Directors and, except as otherwise delegated by the Board of Directors, shall execute all legal instruments of CMEEC. When and while a vacancy exists in the office of the Chief Executive Officer, the Chairperson shall act to cause a temporary appointment of a qualified individual to serve in the Chief Executive Officer role. The Chairperson shall perform such other duties as the Board of Directors may prescribe from time to time. The qualifications for the office of Chairperson shall be as set forth in the Bylaws and as otherwise may be approved by the Board of Directors by resolution consistent with the Bylaws.

**Vice-Chairperson:** The Vice-Chairperson, in the absence of the Chairperson or in the event of their inability or refusal to act, shall perform the duties of the Chairperson and when so acting shall have all the powers of, and be subject to, all the restrictions upon the Chairperson. The Vice-Chairperson shall also perform such other duties as may be prescribed by the Board of Directors from time to time. Qualifications for the office of Vice-Chairperson shall be as set forth in the Bylaws and as otherwise may be approved by the Board of Directors by resolution consistent with the Bylaws.

**Secretary/Assistant Secretary(s):** The Secretary shall maintain the official records of the Board of Directors, the minutes of meetings of the Board of Directors, and a register of names and addresses of Member Representatives and Officers, and shall issue notice of meetings, attest and affix the CMEEC seal to all documents of CMEEC, and shall perform such other duties as the Board of Directors may prescribe from time to time. Any Assistant Secretary(s), in the absence of the Secretary or in the event of their inability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of, and be subject to, all restrictions upon the Secretary. Any Assistant Secretary(s) shall also perform such other duties as may be prescribed by the Board of Directors from time to time. The qualifications for the office of Secretary shall be as set forth in the Bylaws and as otherwise approved by the Board of Directors by resolution consistent with the Bylaws.

**Treasurer/Assistant Treasurers:** The Treasurer shall be responsible for ensuring that all appropriate and relevant financial information and issues are brought before the Board of Directors and shall perform other duties as the Board of Directors may prescribe from time to time including, but not limited to participation and leadership of Board of Directors Committees related to financial issues. Any Assistant Treasurers, in the absence of the

Treasurer or in the event of their inability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of, and be subject to, all restrictions upon the Treasurer. Any Assistant Treasurers shall also perform such other duties as may be prescribed by the Board from time to time. The qualifications for the office of Treasurer shall be as set forth in the Bylaws and as otherwise approved by the Board of Directors by resolution consistent with the Bylaws.

**Chief Executive Officer:** The Chief Executive Officer shall be the principal executive Officer of CMEEC with full responsibility for the planning, operations, and administrative affairs of CMEEC and the coordination thereof pursuant to policies and programs approved by the Board of Directors from time to time, and shall be the agent for service of process on CMEEC. The qualifications for the office of Chief Executive Officer shall be determined by the Board of Directors.

**Chief Financial Officer:** The Chief Financial Officer shall be the principal financial Officer of CMEEC with full responsibility for financial planning and reporting, Treasury function, debt issuance, credit management, and the coordination thereof pursuant to policies and programs approved by the Board of Directors from time to time, and shall be the agent for financial service on CMEEC. The qualifications for the office of Chief Financial Officer shall be determined by the Chief Executive Officer.

### **SECTION 3.1. POSITION OF GENERAL COUNSEL.**

There shall be a position of General Counsel of CMEEC. The General Counsel shall have full responsibility for the legal affairs of CMEEC and ensuring compliance of CMEEC with applicable laws and regulations. The qualifications for the General Counsel shall be determined by the Chief Executive Officer.

### **SECTION 4. BONDS OF OFFICERS.**

The Treasurer, and any other Officer, agent, or employee of CMEEC charged with responsibility for the custody of any of its funds or property shall give bond in such sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other Officer, agent, or employee of CMEEC to give bond in such amount and with such surety as it shall determine. The cost of such bond shall be an expense payable by CMEEC.

### **SECTION 5. OFFICER VACANCIES, HOW FILLED.**

All vacancies in any Officer role or position described in these Bylaws shall be filled by the Board of Directors without undue delay at its Regular CMEEC Board of Directors meeting or at a Special CMEEC Board of Directors meeting called for that purpose, other than vacancies in the Chief Financial Officer and General Counsel roles, which shall be filled by the Chief Executive Officer without similar undue delay.

## **SECTION 6. COMPENSATION AND INDEMNIFICATION.**

The Officers and Member Representatives shall receive such salary or compensation and expense reimbursement as may be determined by the Board of Directors. Each Member Representative and Officer of CMEEEC and persons occupying positions in the CMEEEC organization pursuant to these Bylaws, whether or not then in office, and their personal representatives, shall be indemnified and held harmless by CMEEEC against all costs and expenses, including reasonable attorney fees and/or defense of suit, actually incurred by them in connection with the defense of any claim, action, suit, or proceeding in which they may be involved or to which they may be made a party by reason of their being or having been such Member Representative or Officer, except in relation to matters as to which they shall be finally adjudged in such action, suit, or proceeding to be liable for willful or wanton negligence or misconduct in the performance of duty. Such costs and expenses shall include but not be limited to amounts reasonably paid in settlement for curtailing the costs of litigation, but only if CMEEEC is advised in writing by its counsel that in their opinion the person indemnified did not commit such willful or wanton negligence or misconduct. The foregoing right of indemnification shall not be exclusive of other rights to which such Member Representative or Officer or other office described in these Bylaws may be entitled as a matter of law or by agreement.

## **SECTION 7. REMOVAL OF OFFICERS/APPOINTED POSITIONS.**

Any Officer or agent or person filling a position provided for under these Bylaws by the Board of Directors may be removed from office by the Board of Directors, with or without cause, whenever in its judgment the best interests of CMEEEC will be served thereby, other than the Chief Financial Officer and General Counsel, which shall only be subject to removal by determination of the Chief Executive Officer.

## **ARTICLE V PUBLIC MEETINGS AND RECORDS**

### **SECTION 1. PUBLIC ACCESS TO MEETINGS.**

The provisions of Title 1, Sections 1-200 *et seq.*, as amended, of the Connecticut General Statutes relating to meeting of public boards and agencies shall apply to CMEEEC and shall be observed with respect to all Annual, Regular or Special meetings of the CMEEEC Board of Directors meetings and of the CMEEEC Member Delegation. Except as provided in said Sections, all meetings of the Board of Directors and the Member Delegation shall be open to the public.

**SECTION 2. PUBLIC RECORDS.** The Secretary of CMEEEC shall be the custodian of all public records of CMEEEC, and the custodian and a designee appointed by official action of the CMEEEC Board of Directors shall be responsible for the preservation and care of such public records. The provisions of Title 1, Sections 1-200 *et seq.*, as amended, relating to the availability

of public records shall apply to CMEEC. It shall be the duty of the custodian of public records and the designee to see they are made available for public inspection and copying; they are carefully protected and preserved from deterioration, alteration, mutilation, loss, removal or destruction; and they are repaired, renovated, or rebound, when necessary, to preserve properly.

On application for public information to the custodian by any person, the custodian shall promptly produce such information for inspection or duplication, or both, in the offices of CMEEC. If the information is in active use or in storage and, therefore, not available at the time a person asks to examine it, the custodian shall certify this fact in writing to the applicant and set a date and hour within a reasonable time when the record will be available. Nothing herein shall authorize any person to remove original copies of public records from the offices of CMEEC without the written permission of the custodian of the records.

In the event the custodian of records is of the opinion the records or information should not be supplied to the person requesting them for review, they shall within a reasonable time, not later than ten (10) days after receiving a written request for the records, request a decision from the General Counsel to determine whether the information is privileged. The specific information requested shall be supplied to the General Counsel but shall not be disclosed until a final determination has been made.

### **SECTION 3. CONFIDENTIAL RECORDS.**

All public records collected, assembled, or maintained by CMEEC pursuant to law or in connection with the transaction of official business is public information and available to the public during normal business hours of CMEEC, with the exceptions listed in Conn. Gen. Stat. Title I, chapter 14, Sections 1-200 *et seq.*, as amended.

### **SECTION 4. CHARGES FOR PUBLIC RECORDS.**

The cost to any person requesting reproductions of public records shall be a reasonable fee.

## **ARTICLE VI** **BUDGETS, AUDITS AND FISCAL YEAR**

**SECTION 1. ADMINISTRATIVE BUDGET.** The Chief Executive Officer of CMEEC shall cause to be prepared a general administrative budget for each year, in coordination with the appropriate CMEEC Board of Directors' Committee, and submit the same to the Member Representatives of each Member then serving on the CMEEC Board of Directors for approval by the Board. The budget shall include an estimate of the amount of receipts and expenditures for general administrative purposes during the ensuing year, including all expenses necessary to conduct the operational responsibilities of CMEEC. The Chief Executive Officer of CMEEC shall cause to be prepared no less frequently than quarterly financial reports without audit and shall submit the same to the Board of Directors as soon as practical following the end of each quarter of the applicable fiscal year.

## **SECTION 2. ELECTRIC PRODUCT AND TRANSMISSION SERVICES BUDGET.**

The Chief Executive Officer of CMEEC shall cause to be prepared an electric product and transmission services budget for each year, in coordination with the appropriate CMEEC Board of Directors' Committee, and submit the same to the Member Representatives of each Member on the CMEEC Board of Directors for the approval of the Board. The budget shall include an estimate of the amount of receipts and expenditures for electric products and transmission services during the ensuing year, including all expenses necessary to conduct the operational responsibilities of CMEEC. The Chief Executive Officer of CMEEC shall cause to be prepared no less frequently than quarterly financial reports without audit and shall submit the same to the Board of Directors as soon as practical following the end of each quarter of the applicable fiscal year.

## **SECTION 3. ANNUAL AUDIT.**

Within one-hundred twenty (120) days after the end of each fiscal year, the Member Representatives, acting through the appropriate CMEEC Board of Directors Committee, shall cause the books, accounts, and records of CMEEC to be audited by an independent, certified public accountant licensed, registered, or entitled to practice and practicing as such under the laws of the State of Connecticut.

## **SECTION 4. FISCAL YEAR.**

The fiscal year of CMEEC shall, unless otherwise formally modified by the Board of Directors, end December 31.

# **ARTICLE VII EFFECTIVE DATE AND AMENDMENTS**

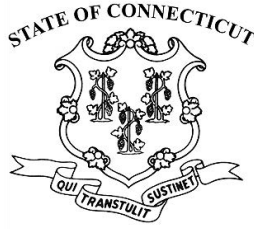
## **SECTION 1. EFFECTIVE DATE.**

The 2017 Bylaw Amendments shall become effective on and following the date on which a two-thirds majority of the Member Delegation votes in the affirmative to approve the 2017 Bylaw Amendments, unless and until further amended as provided in this Article VII.

## **SECTION 2. HOW AMENDED.**

These Bylaws may be amended by an affirmative vote of the CMEEC Member Delegation at an Annual or Special CMEEC Member Delegation meeting, provided no less than seven (7) days' notice shall have been sent to each Member entitled to receive such notice, which notice shall state the amendments which are proposed to be made in such Bylaws, and further providing that no amendment may be made which is inconsistent with the Creating Agreement and/or the Membership Agreement and only such changes as have been specified in the notice shall be made.





***Substitute Senate Bill No. 4***

***Public Act No. 17-73***

***AN ACT CONCERNING MUNICIPAL ELECTRIC UTILITY  
COOPERATIVES AND ESTABLISHING A MUNICIPAL ELECTRIC  
CONSUMER ADVOCATE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 7-233c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

(a) Any two or more municipal electric utilities may, by concurrent resolutions, duly adopted by the governing bodies of each of such municipal electric utilities, create and become members of a municipal electric energy cooperative under the name and style of "the .... municipal electric energy cooperative", with some identifying phrase inserted. The managing body of the municipal electric energy cooperative shall be a cooperative utility board which shall be charged with carrying out the corporate purposes and powers of the municipal electric energy cooperative. The number of representatives to be appointed at any time for full terms of office [by the governing bodies of such municipal electric utilities] shall be such uniform numbers as may be mutually agreed upon in said resolutions which number shall be not less than two nor more than six for each member, provided one such representative shall be appointed by the legislative body of each municipality in which a member municipal electric utility operates,

***Substitute Senate Bill No. 4***

pursuant to this subsection. After the taking effect of the said resolutions of all such municipal electric utilities and after the filing of certified copies thereof pursuant to subsection (a) of section 7-233d, the agreed number of representatives shall be appointed to the cooperative utility board by the governing body of each municipal electric utility [. The] and the legislative body of the municipality in which each municipal electric utility operates, pursuant to this subsection. For representatives appointed by the governing body of each municipal electric utility, the qualification of such representatives, terms of office for the original representatives and their successors and compensation, if any, by the member pursuant to this section or by the municipal electric energy cooperative pursuant to section 7-233p, as amended by this act, shall be prescribed by each such governing body; provided, each representative shall be an official or employee of such municipal electric utility. For each representative appointed by the legislative body of each municipality in which a member municipal electric utility operates, the qualification of such representative, terms of office for the original representative and his or her successors and compensation, if any, by the legislative body or by the municipal electric energy cooperative pursuant to section 7-233p, as amended by this act, shall be prescribed by each such legislative body and any such compensation shall be approved by such legislative body, provided each such legislative body shall appoint a representative who is a residential or commercial ratepayer of the municipal electric utility that operates in the municipality of such legislative body and who does not hold other official positions in and is not employed by (1) the governing body of such member municipal electric utility, (2) the municipality in which the member municipal electric utility operates, (3) the governing body of any other member municipal electric utility, (4) the municipality in which any other member municipal electric utility operates, or (5) the municipal electric energy cooperative. In addition to paying such compensation as may be prescribed pursuant to this section or section 7-233p, as amended by this act, a member

***Substitute Senate Bill No. 4***

municipal electric utility or a legislative body, upon approval by such legislative body, may reimburse its representatives for expenses for travel, both within and without the state, incurred by them in connection with services as a designated representative on such board. Before such municipal electric energy cooperative can be validly and legally formed each of the municipalities represented by a municipal electric utility joining together to form the municipal electric energy cooperative must, by proper proceedings duly adopted, consent and agree to such formation of the municipal electric energy cooperative.

(b) After the creation of a municipal electric energy cooperative under subsection (a) of this section, any other municipal electric utility may become a member of the municipal electric energy cooperative if (1) the municipal electric utility files with the municipal electric energy cooperative (A) a resolution, duly adopted by its governing body, requesting membership in such cooperative, and (B) a certified copy of the proper proceedings, duly adopted by the municipality represented by the municipal electric utility, consenting and agreeing to such membership, and (2) after the municipal electric energy cooperative receives such filing, the governing bodies of at least two-thirds of the municipal electric utilities comprising the membership of the municipal electric energy cooperative at the time of such filing duly adopt a resolution approving membership of such municipal electric utility in the municipal electric energy cooperative. After the filing of certified copies of all such resolutions with the Secretary of the State pursuant to subsection (b) of section 7-233d, the governing body of the municipal electric utility being added to the municipal electric energy cooperative and the municipality in which such municipal electric utility operates shall appoint representatives to the cooperative utility board of the municipal electric energy cooperative. The number of such appointed representatives shall be the same as the number mutually agreed upon by the other members of the municipal electric energy cooperative pursuant to subsection (a) of this section. The

***Substitute Senate Bill No. 4***

provisions of said subsection (a) concerning the qualification, compensation and terms of office of, and reimbursement of travel expenses for, representatives [of the existing members of the municipal cooperative] appointed by the existing member municipal electric utilities and the legislative bodies of the municipalities in which such member municipal electric utilities operate shall apply to representatives of such municipal electric utility.

(c) A municipal electric utility that is a member of a municipal electric energy cooperative may withdraw from the municipal electric energy cooperative if: (1) Such withdrawing municipal electric utility continues to fully perform all of its obligations under any contract it has with the municipal electric energy cooperative or provides sufficient funds in trust for the benefit of the municipal electric energy cooperative to satisfy such obligations, (2) the withdrawing municipal electric utility files with the municipal electric energy cooperative a resolution, duly adopted by its governing body, approving the withdrawal, and such resolution is filed with the Secretary of the State in the same manner as provided in subsection (c) of section 7-233d, and (3) the municipality [represented by the withdrawing municipal electric utility] in which the withdrawing municipal electric utility operates does not disapprove of such withdrawal, by vote of the municipality's legislative body, within thirty days after the adoption of such a resolution.

(d) (1) Upon appointment of its representatives by the [members of the municipal cooperative] member municipal electric utilities and legislative bodies of the municipalities in which such member municipal electric utilities operate, the cooperative utility board shall organize, select its chairman and vice-chairman from among said board and proceed to consider those matters which have been recommended to it by the several members of the municipal electric energy cooperative.

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(2) The cooperative utility board may hold such meetings and public hearings as it deems desirable and the powers of the municipal electric energy cooperative shall be vested in the representatives thereof in office from time to time. The cooperative utility board shall hold any such meetings and public hearings in the state. The municipal electric energy cooperative shall post on its Internet web site and provide to participants notice of and the agenda for each meeting and public hearing, and any changes made thereto, not later than five days before such meeting or public hearing. Each participant shall post on its Internet web site and provide to the municipality in which it operates such notice, agenda and changes not later than four days before such meeting or public hearing. Each such municipality shall post on its Internet web site such notice, agenda and changes not later than three days before such meeting or public hearing.

(3) A majority of the entire authorized number of representatives of the municipal electric energy cooperative shall constitute a quorum at any meeting thereof. Action may be taken, motions voted and resolutions adopted by the municipal electric energy cooperative at any meeting of the cooperative utility board by vote of a majority of the representatives present, unless in any case the bylaws of a municipal electric energy cooperative or an amendment to such bylaws shall require a larger number for adoption or any representative of the cooperative utility board requests that the vote be based on megawatt-hour purchases. If such a request is made, [(1)] (A) each representative shall have a number of votes equal to the total number of megawatt-hours purchased from the municipal electric energy cooperative during the preceding completed calendar year by the [representative's] member municipal electric utility [from the municipal cooperative during the preceding completed calendar year] which appointed such representative or which operates in the municipality whose legislative body appointed such representative, provided, if the municipal electric energy cooperative includes a new



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member municipal electric utility which purchased part or all of its power and energy from a supplier or suppliers other than the municipal electric energy cooperative during such year, each representative [of] appointed by such new member municipal electric utility or the legislative body of the municipality in which such new member municipal electric utility operates shall have a number of votes equal to the total megawatt-hours purchased by such new member from such other suppliers during such year plus the total number of megawatt-hours purchased from the municipal electric energy cooperative during such year, and [(2)] (B) any action, motion or resolution taken, voted or adopted by the municipal electric energy cooperative at such meeting shall be by a favorable vote of sixty-seven per cent or more of the total of such votes of the representatives who are present at the meeting and who vote, provided at least a majority of the members of the municipal electric energy cooperative approves such action, motion or resolution. Notwithstanding any provision of this subsection or of subsection (g) of this section to the contrary, a unanimous vote of all of the representatives of the municipal electric energy cooperative shall be required before said municipal electric energy cooperative can exercise the power of condemnation or eminent domain provided in this chapter.

(4) The municipal electric energy cooperative shall post on its Internet web site and provide to participants the minutes of such meeting or public hearing, including any actions taken, motions voted and resolutions adopted, not later than five days after such meeting or public hearing described in subdivision (2) of this subsection. Each participant shall post on its Internet web site and provide to the municipality in which it operates such minutes not later than six days after such meeting or public hearing. Each municipality shall post such minutes on its Internet web site not later than seven days after such meeting or public hearing.

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(5) The cooperative utility board may appoint and employ a chief executive officer, a treasurer, a secretary, a general counsel and such officers, advisors, consultants and other agents and employees as it may deem necessary, and the cooperative utility board shall determine their qualifications, terms of office, duties and compensation.

(e) Organizational expenses incurred by a municipal electric energy cooperative shall be paid ratably by each member in the same proportion as the population or area of operation serviced by each such member bears to the total population or area of operation serviced by all members or by such other method as determined to be fair and equitable by the cooperative utility board. Such payments shall be made by each member whether or not that member utilizes the electric power or energy made available or furnished to such member.

(f) Each representative of a municipal electric energy cooperative shall hold office for the term for which he was appointed and until his successor has been appointed and has qualified. A representative of a municipal electric energy cooperative may be removed only by the cooperative utility board for inefficiency or neglect of duty or misconduct in office and after he shall have been given a copy of the charges against him and, not sooner than ten days thereafter, had opportunity in person or by counsel to be heard thereon by such governing body. A member municipal electric utility may remove one or more of [its] the representatives that it appointed with or without cause at any time. The legislative body of a municipality may remove the representative that it appointed with or without cause at any time.

(g) A municipal electric energy cooperative may adopt, on a prospective basis, methods of voting for all or specifically designated matters. Any such methods shall be specified in the bylaws of a municipal electric energy cooperative or in an amendment to such bylaws unanimously adopted by the members of the municipal electric energy cooperative. A municipal electric energy cooperative may

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distinguish the voting rights of its members based on whether a member is a full requirements customer or a partial requirements customer of the municipal electric energy cooperative or based on the term of the contractual obligations for power and transmission supply each member incurs with respect to the municipal electric energy cooperative, provided any such distinctions shall treat similarly situated members in a comparable and nondiscriminatory manner. For purposes of this subsection, "full requirements customer" means a wholesale purchaser of electric power or transmission services whose electric energy supplier is the sole source of long-term firm power, and "partial requirements customer" means a wholesale purchaser of electric power or transmission services that directly owns or operates generating or transmission assets that are insufficient to carry all of such purchaser's electric load and whose electric energy supplier is a supplemental source of long-term firm power.

(h) A municipal electric energy cooperative shall cause a forensic examination conducted by a certified forensic auditor which shall include a review of the revenue and expenditures of a municipal electric energy cooperative for the preceding five years. The auditor shall submit (1) a report that includes an opinion regarding the financial statements and a management letter, and (2) a report that includes an opinion on conformance of the operating procedures of the municipal electric energy cooperative with the provisions of chapter 101a and the bylaws of the municipal electric energy cooperative, and any recommendations for any corrective actions needed to ensure such conformance. The municipal electric energy cooperative shall post on its Internet web site and provide to participants such reports not later than seven days after such reports are received by the municipal electric energy cooperative. Each participant shall post on its Internet web site and provide to the municipality in which it operates such reports not later than five days after such reports are received from the municipal electric energy cooperative. Each such municipality shall

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post on its Internet web site such reports not later than five days after such reports are received from the participant.

(i) A municipal electric energy cooperative shall annually provide the following, in accordance with the provisions of section 11-4a, to the joint standing committee of the General Assembly having cognizance of matters relating to energy: (1) A list of the current members and officers of the cooperative utility board described in subsection (d) of this section; (2) a copy of the most recent annual report of the municipal electric energy cooperative; (3) a copy of the most recent audited financial statements, management letter and reports of the municipal electric energy cooperative that are required under subsection (h) of this section; (4) a copy of any conflicts of interest policy of the municipal electric energy cooperative; (5) a copy of the municipal electric energy cooperative's most recently filed Internal Revenue Service form 990, including all parts and schedules that are required to be made available for public inspection under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time; (6) a copy of the bylaws of the municipal electric energy cooperative; and (7) as to any employee of the municipal electric energy cooperative, a report listing the position of each employee and the amount of the salary, wages and fringe benefit expenses paid to each such employee.

(j) If a municipal electric energy cooperative holds a strategic retreat or similar activity, it shall hold such retreat or activity in the state. The cooperative utility board shall approve, at a meeting, such retreat or activity, including the location, the purpose, planned attendees, any entertainment and any gifts of value. Such retreat or activity shall include meetings to conduct business and the municipal electric energy cooperative shall provide to the cooperative utility board, not later than five days after such retreat or activity, an agenda, a list of attendees and the meeting minutes. Such retreat or activity shall not

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include any entertainment or gifts of value other than that approved by the cooperative utility board.

Sec. 2. Section 7-233p of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2017*):

If the members of a municipal electric energy cooperative and the legislative bodies of the municipalities are not paying compensation to ~~[their]~~ the representatives they each appointed pursuant to subsection (a) of section 7-233c, as amended by this act, such municipal electric energy cooperative may reimburse its representatives for necessary expenses incurred in the discharge of their duties and pay such reasonable, uniformly applicable compensation to such representatives for their service on the board of such municipal electric energy cooperative as provided in this section. The concurrent resolutions creating a municipal electric energy cooperative may provide that the representatives of the municipal electric energy cooperative may receive annual compensation for their services within limitations to be stated in such concurrent resolutions and in that event, each representative may receive from the municipal electric energy cooperative such compensation for his services as the municipal electric energy cooperative may determine within the limitations stated in such concurrent resolutions. Said provisions or limitations stated in any such resolutions may be amended by subsequent concurrent resolutions, but no reduction of any such limitation shall be effective as to any representative of the municipal electric energy cooperative then in office except upon the written consent of such representative.

Sec. 3. (NEW) (*Effective from passage*) (a) There is established a Municipal Electric Consumer Advocate to act as an independent advocate for consumer interests in all matters which may affect municipal electric energy cooperative consumers, including, but not limited to, electric rates. Costs related to the Municipal Electric



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Consumer Advocate, including, but not limited to, hourly fees and necessary expenses, shall be paid for by all municipal electric energy cooperatives. The annual amount of such costs shall not exceed seventy thousand dollars for the first year and fifty thousand dollars for each year thereafter, unless there is a demonstration of substantial need made by the Municipal Electric Consumer Advocate and approved by the cooperative utility boards of all municipal electric energy cooperatives.

(b) The Municipal Electric Consumer Advocate may appear and participate in municipal electric energy cooperative matters or any other federal or state regulatory or judicial proceeding in which consumers of any municipal electric energy cooperative may be involved. The Municipal Electric Consumer Advocate, in carrying out his or her duties, shall: (1) Have access to the records of a municipal electric energy cooperative, (2) have the right to make a reasonable number of copies of a municipal electric energy cooperative's records, (3) be entitled to call upon the assistance of a municipal electric energy cooperative's technical and legal experts, and (4) have the benefit of all other information of a municipal electric energy cooperative, except for employment records and other internal documents that are not relevant to the duties of the Municipal Electric Consumer Advocate.

(c) (1) The Municipal Electric Consumer Advocate shall be a member of the bar of this state and shall have private legal experience in public utility law and policy, but shall not be a member of a municipal electric energy cooperative's cooperative utility board or a person who has or may have conflicts of interest, as defined by the Rules of Professional Conduct, in representing the municipal electric energy cooperative's consumers as a class. (2) Prior to November 1, 2017, and prior to November first in each odd-numbered year thereafter, the Consumer Counsel, appointed pursuant to section 16-2a of the general statutes, shall select the Municipal Electric Consumer

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Advocate to serve for a two-year term commencing on the following first day of January. The Municipal Electric Consumer Advocate may be terminated by the Consumer Counsel prior to the completion of a two-year term only for misconduct, material neglect of duty or incompetence. (3) The Municipal Electric Consumer Advocate shall be independent of any municipal electric energy cooperative's cooperative utility board and may not be removed by a municipal electric energy cooperative's cooperative utility board for any reason. A municipal electric energy cooperative's cooperative utility board shall not direct or oversee the activities of the Municipal Electric Consumer Advocate. A municipal electric energy cooperative's cooperative utility board shall cooperate with reasonable requests of the Municipal Electric Consumer Advocate to enable the Municipal Electric Consumer Advocate to effectively perform his or her duties and functions.

(d) (1) The Municipal Electric Consumer Advocate shall prepare reports of his or her activities regarding each municipal electric energy cooperative and submit such reports regarding a municipal electric energy cooperative at the end of each calendar quarter to such municipal electric energy cooperative, the chief elected official of each municipality in which a participant of such municipal electric energy cooperative operates and to the Consumer Counsel. Each municipal electric energy cooperative and the Consumer Counsel shall post such quarterly reports on their respective Internet web sites. (2) The Municipal Electric Consumer Advocate shall hold an annual public forum on the second Wednesday of October each year at a location where a municipal electric energy cooperative holds hearings for the purpose of describing the recent activities of the Municipal Electric Consumer Advocate and receiving feedback from consumers. A municipal electric energy cooperative shall publicize the public forum through an announcement at the preceding scheduled meeting of such municipal electric energy cooperative, on its Internet web site and in a

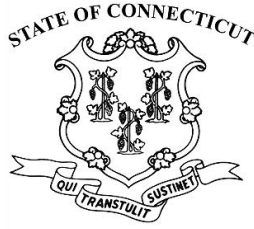
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notice on or attached to its consumer bills. The Municipal Electric Consumer Advocate may hold additional public forums as he or she deems necessary.

(e) Nothing in this section shall be construed to prevent any interested person, including, but not limited to, any individual consumer or group of consumers, from participating in any municipal electric energy cooperative meeting or hearing on their own behalf or through counsel.

(f) Any municipal electric energy cooperative shall promptly adopt any changes to its rules, regulations or other governing documents necessary to carry out the requirements of this section.

Approved June 30, 2017



***Substitute Senate Bill No. 9***

***Public Act No. 18-50***

***AN ACT CONCERNING CONNECTICUT'S ENERGY FUTURE.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (a) of section 16-245a of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) [An] Subject to any modifications required by the Public Utilities Regulatory Authority for retiring renewable energy certificates on behalf of all electric ratepayers pursuant to subsection (h) of this section and sections 16a-3f, 16a-3g, 16a-3h, as amended by this act, 16a-3i, 16a-3j and 16a-3m, an electric supplier and an electric distribution company providing standard service or supplier of last resort service, pursuant to section 16-244c, as amended by this act, shall demonstrate:

(1) On and after January 1, 2006, that not less than two per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(2) On and after January 1, 2007, not less than three and one-half per cent of the total output or services of any such supplier or distribution

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company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(3) On and after January 1, 2008, not less than five per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(4) On and after January 1, 2009, not less than six per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(5) On and after January 1, 2010, not less than seven per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(6) On and after January 1, 2011, not less than eight per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(7) On and after January 1, 2012, not less than nine per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(8) On and after January 1, 2013, not less than ten per cent of the



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total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(9) On and after January 1, 2014, not less than eleven per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(10) On and after January 1, 2015, not less than twelve and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(11) On and after January 1, 2016, not less than fourteen per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(12) On and after January 1, 2017, not less than fifteen and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(13) On and after January 1, 2018, not less than seventeen per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

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(14) On and after January 1, 2019, not less than nineteen and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(15) On and after January 1, 2020, not less than [twenty] twenty-one per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources, [.] except that for any electric supplier that has entered into or renewed a retail electric supply contract on or before the effective date of this section, on and after January 1, 2020, not less than twenty per cent of the total output or services of any such electric supplier shall be generated from Class I renewable energy sources;

(16) On and after January 1, 2021, not less than twenty-two and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(17) On and after January 1, 2022, not less than twenty-four per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(18) On and after January 1, 2023, not less than twenty-six per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

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(19) On and after January 1, 2024, not less than twenty-eight per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(20) On and after January 1, 2025, not less than thirty per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(21) On and after January 1, 2026, not less than thirty-two per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(22) On and after January 1, 2027, not less than thirty-four per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(23) On and after January 1, 2028, not less than thirty-six per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources;

(24) On and after January 1, 2029, not less than thirty-eight per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be

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from Class I or Class II renewable energy sources;

(25) On and after January 1, 2030, not less than forty per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional four per cent of the total output or services shall be from Class I or Class II renewable energy sources.

Sec. 2. Section 16-245a of the 2018 supplement to the general statutes is amended by adding subsection (h) as follows (*Effective from passage*):

(NEW) (h) The authority shall establish procedures for the disposition of renewable energy certificates purchased pursuant to section 7 of this act, which may include procedures for selling renewable energy certificates consistent with section 7 of this act or, if renewable energy certificates procured pursuant to section 7 of this act are retired and never used for compliance in any other jurisdiction, reductions to the percentage of the total output or services of an electric supplier or an electric distribution company generated from Class I renewable energy sources required pursuant to subsection (a) of this section. Any such reduction shall be based on the energy production that the authority forecasts will be procured pursuant to subsections (a) and (b) of section 7 of this act. The authority shall determine any such reduction of an annual renewable portfolio standard not later than one year prior to the effective date of such annual renewable portfolio standard. An electric distribution company shall not be responsible for any administrative or other costs or expenses associated with any difference between the number of renewable energy certificates planned to be retired pursuant to the authority's reduction and the actual number of renewable energy certificates retired.

Sec. 3. Subsection (h) of section 16-244c of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu

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thereof (*Effective from passage*):

(h) (1) Notwithstanding the provisions of subsection (b) of this section regarding an alternative standard service option, an electric distribution company providing standard service, supplier of last resort service or back-up electric generation service in accordance with this section shall contract with its wholesale suppliers to comply with the renewable portfolio standards. The Public Utilities Regulatory Authority shall annually conduct an uncontested proceeding in order to determine whether the electric distribution company's wholesale suppliers met the renewable portfolio standards during the preceding year. On or before December 31, 2013, the authority shall issue a decision on any such proceeding for calendar years up to and including 2012, for which a decision has not already been issued. Not later than December 31, 2014, and annually thereafter, the authority shall, following such proceeding, issue a decision as to whether the electric distribution company's wholesale suppliers met the renewable portfolio standards during the preceding year. An electric distribution company shall include a provision in its contract with each wholesale supplier that requires the wholesale supplier to pay the electric distribution company an amount of: (A) For calendar years up to and including calendar year 2017, five and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period, [and] (B) for calendar years commencing on [and after] January 1, 2018, up to and including the calendar year commencing on January 1, 2020, five and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period for Class I renewable energy sources, and two and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period for Class II renewable energy sources, and (C) for calendar years commencing on and after January 1, 2021, four cents per kilowatt hour

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if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period for Class I renewable energy sources, and two and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the renewable portfolio standards during the subject annual period for Class II renewable energy sources. The electric distribution company shall promptly transfer any payment received from the wholesale supplier for the failure to meet the renewable portfolio standards to the Clean Energy Fund for the development of Class I renewable energy sources, provided, on and after June 5, 2013, any such payment shall be refunded to ratepayers by using such payment to offset the costs to all customers of electric distribution companies of the costs of contracts and tariffs entered into pursuant to sections 16-244r, as amended by this act, [and] 16-244t and section 7 of this act. Any excess amount remaining from such payment shall be applied to reduce the costs of contracts entered into pursuant to subdivision (2) of this subsection, and if any excess amount remains, such amount shall be applied to reduce costs collected through nonbypassable, federally mandated congestion charges, as defined in section 16-1, as amended by this act.

(2) Notwithstanding the provisions of subsection (b) of this section regarding an alternative standard service option, an electric distribution company providing transitional standard offer service, standard service, supplier of last resort service or back-up electric generation service in accordance with this section shall, not later than July 1, 2008, file with the Public Utilities Regulatory Authority for its approval one or more long-term power purchase contracts from Class I renewable energy source projects with a preference for projects located in Connecticut that receive funding from the Clean Energy Fund and that are not less than one megawatt in size, at a price that is either, at the determination of the project owner, (A) not more than the total of the comparable wholesale market price for generation plus five and one-half cents per kilowatt hour, or (B) fifty per cent of the wholesale



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market electricity cost at the point at which transmission lines intersect with each other or interface with the distribution system, plus the project cost of fuel indexed to natural gas futures contracts on the New York Mercantile Exchange at the natural gas pipeline interchange located in Vermillion Parish, Louisiana that serves as the delivery point for such futures contracts, plus the fuel delivery charge for transporting fuel to the project, plus five and one-half cents per kilowatt hour. In its approval of such contracts, the authority shall give preference to purchase contracts from those projects that would provide a financial benefit to ratepayers and would enhance the reliability of the electric transmission system of the state. Such projects shall be located in this state. The owner of a fuel cell project principally manufactured in this state shall be allocated all available air emissions credits and tax credits attributable to the project and no less than fifty per cent of the energy credits in the Class I renewable energy credits program established in section 16-245a, as amended by this act, attributable to the project. On and after October 1, 2007, and until September 30, 2008, such contracts shall be comprised of not less than a total, apportioned among each electric distribution company, of one hundred twenty-five megawatts; and on and after October 1, 2008, such contracts shall be comprised of not less than a total, apportioned among each electrical distribution company, of one hundred fifty megawatts. The Public Utilities Regulatory Authority shall not issue any order that results in the extension of any in-service date or contractual arrangement made as a part of Project 100 or Project 150 beyond the termination date previously approved by the authority established by the contract, provided any party to such contract may provide a notice of termination in accordance with the terms of, and to the extent permitted under, its contract, except the authority shall grant, upon request, an extension of the latest of any such in-service date by (i) twelve months for any project located in a distressed municipality, as defined in section 32-9p, with a population of more than one hundred twenty-five thousand, and (ii) not more than thirty-

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six months for any project having a capacity of less than five megawatts, provided any such project (I) commences construction by April 30, 2015, and (II) the authority has provided previous approval of such contract. The cost of such contracts and the administrative costs for the procurement of such contracts directly incurred shall be eligible for inclusion in the adjustment to any subsequent rates for standard service, provided such contracts are for a period of time sufficient to provide financing for such projects, but not less than ten years, and are for projects which began operation on or after July 1, 2003. Except as provided in this subdivision, the amount from Class I renewable energy sources contracted under such contracts shall be applied to reduce the applicable Class I renewable energy source portfolio standards. For purposes of this subdivision, the authority's determination of the comparable wholesale market price for generation shall be based upon a reasonable estimate. On or before September 1, 2011, the authority, in consultation with the Office of Consumer Counsel and the Connecticut Green Bank, shall study the operation of such renewable energy contracts and report its findings and recommendations to the joint standing committee of the General Assembly having cognizance of matters relating to energy.

(3) Notwithstanding the provisions of subsection (b) of this section regarding an alternative standard service option, an electric distribution company providing transitional standard offer service, standard service, supplier of last resort service or back-up electric generation service in accordance with this section that has within its service territory a biomass facility that is a Class I renewable energy source and began operation after December 1, 2013, shall, not later than July 1, 2018, file with the Public Utilities Regulatory Authority for its approval a ten-year power purchase contract not to exceed nine cents per kilowatt hour for energy and renewable energy certificates with such facility for generation equivalent to seven and one-half megawatts of electric capacity. The costs incurred by an electric

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distribution company pursuant to this subdivision shall be recovered on a timely basis through a nonbypassable fully reconciling component of electric rates for all customers of such electric distribution company.

Sec. 4. Subsection (k) of section 16-245 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(k) Any licensee who fails to comply with a license condition or who violates any provision of this section, except for the renewable portfolio standards contained in subsection (g) of this section, shall be subject to civil penalties by the Public Utilities Regulatory Authority in accordance with section 16-41, or the suspension or revocation of such license or a prohibition on accepting new customers following a hearing that is conducted as a contested case in accordance with chapter 54. Notwithstanding the provisions of subsection (b) of section 16-244c regarding an alternative transitional standard offer option or an alternative standard service option, the authority shall require a payment by a licensee that fails to comply with the renewable portfolio standards in accordance with subdivision (4) of subsection (g) of this section in the amount of: (1) For calendar years up to and including calendar year 2017, five and one-half cents per kilowatt hour, [and] (2) for calendar years commencing on [and after] January 1, 2018, and up to and including the calendar year commencing on January 1, 2020, five and one-half cents per kilowatt hour if the licensee fails to comply with the renewable portfolio standards during the subject annual period for Class I renewable energy sources, and two and one-half cents per kilowatt hour if the licensee fails to comply with the renewable portfolio standards during the subject annual period for Class II renewable energy sources, and (3) for calendar years commencing on and after January 1, 2021, four cents per kilowatt hour if the licensee fails to comply with the renewable portfolio standards

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during the subject annual period for Class I renewable energy sources, and two and one-half cents per kilowatt hour if the licensee fails to comply with the renewable portfolio standards during the subject annual period for Class II renewable energy sources. On or before December 31, 2013, the authority shall issue a decision, following an uncontested proceeding, on whether any licensee has failed to comply with the renewable portfolio standards for calendar years up to and including 2012, for which a decision has not already been issued. On and after June 5, 2013, the Public Utilities Regulatory Authority shall annually conduct an uncontested proceeding in order to determine whether any licensee has failed to comply with the renewable portfolio standards during the preceding year. Not later than December 31, 2014, and annually thereafter, the authority shall, following such proceeding, issue a decision as to whether the licensee has failed to comply with the renewable portfolio standards during the preceding year. The authority shall allocate such payment to the Clean Energy Fund for the development of Class I renewable energy sources, provided, on and after June 5, 2013, any such payment shall be refunded to ratepayers by using such payment to offset the costs to all customers of electric distribution companies of the costs of contracts and tariffs entered into pursuant to sections 16-244r, as amended by this act, [and] 16-244t and section 7 of this act. Any excess amount remaining from such payment shall be applied to reduce the costs of contracts entered into pursuant to subdivision (2) of subsection (j) of section 16-244c, and if any excess amount remains, such amount shall be applied to reduce costs collected through nonbypassable, federally mandated congestion charges, as defined in section 16-1, as amended by this act.

Sec. 5. Section 16-243h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

On and after January 1, 2000, and until (1) for residential customers,

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the expiration of the residential solar investment program pursuant to subsection (b) of section 16-245ff, and (2) for all other customers not covered in subdivision (1) of this section, the date the Public Utilities Regulatory Authority approves the procurement plan pursuant to subsection (a) of section 7 of this act, each electric supplier or any electric distribution company providing standard offer, transitional standard offer, standard service or back-up electric generation service, pursuant to section 16-244c, as amended by this act, shall give a credit for any electricity generated by a customer from a Class I renewable energy source or a hydropower facility that has a nameplate capacity rating of two megawatts or less for a term ending on December 31, 2039. The electric distribution company providing electric distribution services to such a customer shall make such interconnections necessary to accomplish such purpose. An electric distribution company, at the request of any residential customer served by such company and if necessary to implement the provisions of this section, shall provide for the installation of metering equipment that [(1)] (A) measures electricity consumed by such customer from the facilities of the electric distribution company, [(2)] (B) deducts from the measurement the amount of electricity produced by the customer and not consumed by the customer, and [(3)] (C) registers, for each billing period, the net amount of electricity either [(A)] (i) consumed and produced by the customer, or [(B)] (ii) the net amount of electricity produced by the customer. If, in a given monthly billing period, a customer-generator supplies more electricity to the electric distribution system than the electric distribution company or electric supplier delivers to the customer-generator, the electric distribution company or electric supplier shall credit the customer-generator for the excess by reducing the customer-generator's bill for the next monthly billing period to compensate for the excess electricity from the customer-generator in the previous billing period at a rate of one kilowatt-hour for one kilowatt-hour produced. The electric distribution company or electric supplier shall carry over the credits earned from monthly billing

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period to monthly billing period, and the credits shall accumulate until the end of the annualized period. At the end of each annualized period, the electric distribution company or electric supplier shall compensate the customer-generator for any excess kilowatt-hours generated, at the avoided cost of wholesale power. A customer who generates electricity from a generating unit with a nameplate capacity of more than ten kilowatts of electricity pursuant to the provisions of this section shall be assessed for the competitive transition assessment, pursuant to section 16-245g and the systems benefits charge, pursuant to section 16-245l, based on the amount of electricity consumed by the customer from the facilities of the electric distribution company without netting any electricity produced by the customer. For purposes of this section, "residential customer" means a customer of a single-family dwelling or multifamily dwelling consisting of two to four units. The Public Utilities Regulatory Authority shall establish a rate on a cents-per-kilowatt-hour basis for the electric distribution company to purchase the electricity generated by a customer pursuant to this section after December 31, 2039.

Sec. 6. Subsection (c) of section 16-244r of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) (1) The aggregate procurement of renewable energy credits by electric distribution companies pursuant to this section shall (A) be eight million dollars in the first year, and (B) increase by an additional eight million dollars per year in years two to four, inclusive.

(2) After year four, the authority shall review contracts entered into pursuant to this section and if the cost of the technologies included in such contracts have been reduced, the authority shall seek to enter new contracts for the total of six years.

(3) After year six, the authority shall seek to enter new contracts for



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the total of [seven] eight years.

(A) The aggregate procurement of renewable energy credits by electric distribution companies pursuant to this subdivision shall (i) increase by an additional eight million dollars per year in years five [six and seven] to eight, inclusive, (ii) be [fifty-six] sixty-four million dollars in years [eight] nine to fifteen, inclusive, and (iii) decline by eight million dollars per year in years sixteen to [twenty-two] twenty-three, inclusive, provided any money not allocated in any given year may roll into the next year's available funds. On the date of approval of the procurement plan by the authority pursuant to subsection (a) of section 7 of this act, any money not yet allocated pursuant to this section shall expire.

(B) For the sixth, [and] seventh and eighth year solicitations, each electric distribution company shall solicit and file with the Public Utilities Regulatory Authority for its approval one or more long-term contracts with owners or developers of Class I generation projects that: (i) Emit no pollutants and that are less than one thousand kilowatts in size, located on the customer side of the revenue meter and serve the distribution system of the electric distribution company, provided such contracts do not exceed fifty per cent of the dollar amount established for years six, [and] seven and eight under subparagraph (A) of this subdivision; and (ii) are less than two megawatts in size, located on the customer side of the revenue meter, serve the distribution system of the electric distribution company, and use Class I technologies that have no emissions of no more than 0.07 pounds per megawatt-hour of nitrogen oxides, 0.10 pounds per megawatt-hour of carbon monoxide, 0.02 pounds per megawatt-hour of volatile organic compounds, and one grain per one hundred standard cubic feet, provided such contracts do not exceed fifty per cent of the dollar amount established for years six, [and] seven and eight under subparagraph (A) of this subdivision. The authority may give a preference to contracts for

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technologies manufactured, researched or developed in the state.

(4) The production of a megawatt hour of electricity from a Class I renewable energy source first placed in service on or after July 1, 2011, shall create one renewable energy credit. A renewable energy credit shall have an effective life covering the year in which the credit was created and the following calendar year. The obligation to purchase renewable energy credits shall be apportioned to electric distribution companies based on their respective distribution system loads at the commencement of the procurement period, as determined by the authority. For contracts entered into in calendar year 2012, an electric distribution company shall not be required to enter into a contract that provides a payment of more than three hundred fifty dollars, per renewable energy credit in any year over the term of the contract. For contracts entered into in calendar years 2013 to 2017, inclusive, at least ninety days before each annual electric distribution company solicitation, the Public Utilities Regulatory Authority may lower the renewable energy credit price cap specified in this subsection by three to seven per cent annually, during each of the six years of the program over the term of the contract. For contracts entered into in calendar year 2018, at least ninety days before the electric distribution company solicitation, the Public Utilities Regulatory Authority may lower the renewable energy credit price cap specified in this subsection by sixty-four per cent, during year seven of the program over the term of the contract. For contracts entered into in calendar year 2019, at least ninety days before the electric distribution company solicitation, the Public Utilities Regulatory Authority may lower the renewable energy credit price cap specified in this subsection by sixty-four per cent, during year eight of the program over the term of the contract. In the course of lowering such price cap applicable to each annual solicitation, the authority shall, after notice and opportunity for public comment, consider such factors as the actual bid results from the most recent electric distribution company solicitation and reasonably

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foreseeable reductions in the cost of eligible technologies.

Sec. 7. (NEW) (*Effective from passage*) (a) (1) (A) On or before September 1, 2018, the Public Utilities Regulatory Authority shall initiate a proceeding to establish a procurement plan for each electric distribution company pursuant to this subsection and may give a preference to technologies manufactured, researched or developed in the state, provided such procurement plan is consistent with and contributes to the requirements to reduce greenhouse gas emissions in accordance with section 22a-200a of the general statutes. Each electric distribution company shall develop such procurement plan in consultation with the Department of Energy and Environmental Protection and shall submit such procurement plan to the authority not later than sixty days after the authority initiates the proceeding pursuant to this subdivision, provided the department shall submit the program requirements pursuant to subparagraph (C) of this subdivision on or before July 1, 2019. The authority may require such electric distribution companies to conduct separate solicitations pursuant to subdivision (4) of this subsection for the resources in subparagraphs (A), (B) and (C) of said subdivision, including separate solicitations based upon the size of such resources to allow for a diversity of selected projects.

(B) On or before September 1, 2018, the authority shall initiate a proceeding to establish tariffs that provide for twenty-year terms of service described in subdivision (3) of this subsection for each electric distribution company pursuant to subparagraphs (A) and (B) of subdivision (2) of this subsection. In such proceeding, the authority shall establish the period of time that will be used for calculating the net amount of energy produced by a facility and not consumed, provided the authority shall assess whether to incorporate time-of-use rates or other dynamic pricing and such period of time shall be either (i) in real time, (ii) in one day, or (iii) in any fraction of a day not to

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exceed one day. The rate for such tariffs shall be established by the solicitation pursuant to subdivision (2) of this subsection.

(C) On or before September 1, 2018, the Department of Energy and Environmental Protection shall (i) initiate a proceeding to develop program requirements and tariff proposals for shared clean energy facilities eligible pursuant to subparagraph (C) of subdivision (2) of this subsection, including, but not limited to, the requirements in subdivision (6) of this subsection, and (ii) establish either or both of the following tariff proposals: (I) A tariff proposal that includes a price cap on a cents-per-kilowatt-hour basis for any procurement for such resources based on the procurement results of any other procurement issued pursuant to this subsection, and (II) a tariff proposal that includes a tariff rate for customers eligible under subparagraph (C) of subdivision (2) of this subsection based on energy policy goals identified by the department in the Comprehensive Energy Strategy pursuant to section 16a-3d of the general statutes. On or before July 1, 2019, the department shall submit any such program requirements and tariff proposals to the authority for review and approval. On or before January 1, 2020, the authority shall approve or modify such program requirements and tariff proposals submitted by the department. If the authority approves two tariff proposals pursuant to this subparagraph, the authority shall determine how much of the total compensation authorized for customers eligible under this subparagraph pursuant to subparagraph (A) of subdivision (1) of subsection (c) of this section shall be available under each tariff.

(2) Not later than July 1, 2020, and annually thereafter, each electric distribution company shall solicit and file with the Public Utilities Regulatory Authority for its approval one or more projects selected resulting from any procurement issued pursuant to subdivision (1) of this subsection that are consistent with the tariffs approved by the authority pursuant to subparagraphs (B) and (C) of subdivision (1) of

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this subsection and that are applicable to (A) customers that own or develop new generation projects on a customer's own premises that are less than two megawatts in size, serve the distribution system of the electric distribution company, are constructed after the solicitation conducted pursuant to subdivision (4) of this subsection to which the customer is responding, and use a Class I renewable energy source that either (i) uses anaerobic digestion, or (ii) has emissions of no more than 0.07 pounds per megawatt-hour of nitrogen oxides, 0.10 pounds per megawatt-hour of carbon monoxide, 0.02 pounds per megawatt-hour of volatile organic compounds and one grain per one hundred standard cubic feet, (B) customers that own or develop new generation projects on a customer's own premises that are less than two megawatts in size, serve the distribution system of the electric distribution company, are constructed after the solicitation conducted pursuant to subdivision (4) of this subsection to which the customer is responding, and use a Class I renewable energy source that emits no pollutants, and (C) customers that own or develop new generation projects that are a shared clean energy facility, as defined in section 16-244x of the general statutes, and subscriptions, as defined in such section, associated with such facility, consistent with the program requirements developed pursuant to subparagraph (C) of subdivision (1) of this subsection. Any project that is eligible pursuant to subparagraph (C) of this subdivision shall not be eligible pursuant to subparagraph (A) or (B) of this subdivision.

(3) A customer that is eligible pursuant to subparagraph (A) or (B) of subdivision (2) of this subsection may elect in any such solicitation to utilize either (A) a tariff for the purchase of all energy and renewable energy certificates on a cents-per-kilowatt-hour basis, or (B) a tariff for the purchase of any energy produced by a facility and not consumed in the period of time established by the authority pursuant to subparagraph (B) of subdivision (1) of this subsection and all renewable energy certificates generated by such facility on a cents-per-

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kilowatt-hour basis.

(4) Each electric distribution company shall conduct an annual solicitation or solicitations, as determined by the authority, for the purchase of energy and renewable energy certificates produced by eligible generation projects under this subsection over the duration of each applicable tariff. Generation projects eligible pursuant to subparagraphs (A) and (B) of subdivision (2) of this subsection shall be sized so as not to exceed the load at the customer's individual electric meter or a set of electric meters, when such meters are combined for billing purposes, from the electric distribution company providing service to such customer, as determined by such electric distribution company, unless such customer is a state, municipal or agricultural customer, then such generation project shall be sized so as not to exceed the load at such customer's individual electric meter or a set of electric meters at the same customer premises, when such meters are combined for billing purposes, and the load of up to five state, municipal or agricultural beneficial accounts, as defined in section 16-244u of the general statutes, identified by such state, municipal or agricultural customer, and such state, municipal or agricultural customer may include the load of up to five additional nonstate or municipal beneficial accounts, as defined in section 16-244u of the general statutes, when sizing such generation project, provided such accounts are critical facilities, as defined in subdivision (2) of subsection (a) of section 16-243y of the general statutes, and are connected to a microgrid.

(5) The maximum selected purchase price of energy and renewable energy certificates on a cents-per-kilowatt-hour basis in any given solicitation shall not exceed such maximum selected purchase price for the same resources in the prior year's solicitation, unless the authority makes a determination that there are changed circumstances in any given year. For the first year solicitation issued pursuant to this



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subsection, the authority shall establish a cap for the selected purchase price for energy and renewable energy certificates on a cents-per-kilowatt-hour basis for any resources authorized under this subsection.

(6) The program requirements for shared clean energy facilities developed pursuant to subparagraph (C) of subdivision (1) of this subsection shall include, but not be limited to, the following:

(A) The department shall allow cost-effective projects of various nameplate capacities that may allow for the construction of multiple projects in the service area of each electric distribution company that operates within the state.

(B) The department shall determine the billing credit for any subscriber of a shared clean energy facility that may be issued through the electric distribution companies' monthly billing systems, and establish consumer protections for subscribers and potential subscribers of such a facility, including, but not limited to, disclosures to be made when selling or reselling a subscription.

(C) Such program shall utilize one or more tariff mechanisms with the electric distribution companies for a term not to exceed twenty years, subject to approval by the Public Utilities Regulatory Authority, to pay for the purchase of any energy products and renewable energy certificates produced by any eligible shared clean energy facility, or to deliver any billing credit of any such facility.

(D) The department shall limit subscribers to (i) low-income customers, (ii) moderate-income customers, (iii) small business customers, (iv) state or municipal customers, (v) commercial customers, and (vi) residential customers who can demonstrate, pursuant to criteria determined by the department in the program requirements recommended by the department and approved by the authority, that they are unable to utilize the tariffs offered pursuant to

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subsection (b) of this section.

(E) The department shall require that (i) not less than ten per cent of the total capacity of each shared clean energy facility is sold, given or provided to low-income customers, and (ii) in addition to the requirement of clause (i) of this subparagraph, not less than ten per cent of the total capacity of each shared clean energy facility is sold, given or provided to low-income customers, moderate-income customers or low-income service organizations.

(F) The department may allow preferences to projects that serve low-income customers and shared clean energy facilities that benefit customers who reside in environmental justice communities.

(G) The department may create incentives or other financing mechanisms to encourage participation by low-income customers.

(H) The department may require that not more than fifty per cent of the total capacity of each shared clean energy facility is sold to commercial customers.

(7) For purposes of this subsection:

(A) "Environmental justice community" has the same meaning as provided in subsection (a) of section 22a-20a of the general statutes;

(B) "Low-income customer" means an in-state retail end user of an electric distribution company (i) whose income does not exceed eighty per cent of the area median income as defined by the United States Department of Housing and Urban Development, adjusted for family size, or (ii) that is an affordable housing facility as defined in section 8-39a of the general statutes;

(C) "Low-income service organization" means a for-profit or nonprofit organization that provides service or assistance to low-

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income individuals;

(D) "Moderate-income customer" means an in-state retail end user of an electric distribution company whose income is between eighty per cent and one hundred per cent of the area median income as defined by the United States Department of Housing and Urban Development, adjusted for family size.

(b) (1) On or before September 1, 2019, the authority shall initiate a proceeding to establish (A) tariffs for each electric distribution company pursuant to subdivision (2) of this subsection, (B) a rate for such tariffs, which may be based upon the results of one or more competitive solicitations issued pursuant to subsection (a) of this section, or on the average cost of installing the generation project and a reasonable rate of return that is just, reasonable and adequate, as determined by the authority, and shall be guided by the Comprehensive Energy Strategy prepared pursuant to section 16a-3d of the general statutes, and (C) the period of time that will be used for calculating the net amount of energy produced by a facility and not consumed, provided the authority shall assess whether to incorporate time-of-use rates or other dynamic pricing and such period of time shall be either (i) in real time, (ii) in one day, or (iii) in any fraction of a day not to exceed one day. The authority may modify such rate for new customers under this subsection based on changed circumstances and may establish an interim tariff rate prior to the expiration of the residential solar investment program pursuant to subsection (b) of section 16-245ff of the general statutes as an alternative to such program, provided any residential customer utilizing a tariff pursuant to this subsection at such customer's electric meter shall not be eligible for any incentives offered pursuant to section 16-245ff of the general statutes at the same such electric meter and any residential customer utilizing any incentives offered pursuant to section 16-245ff of the general statutes at such customer's electric meter shall not be eligible

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for a tariff pursuant to this subsection at the same such electric meter.

(2) At the expiration of the residential solar investment program pursuant to subsection (b) of section 16-245ff of the general statutes, each electric distribution company shall offer the following options to residential customers for the purchase of products generated from a Class I renewable energy source that is located on a customer's own premises and has a nameplate capacity rating of twenty-five kilowatts or less for a term not to exceed twenty years: (A) A tariff for the purchase of all energy and renewable energy certificates on a cents-per-kilowatt-hour basis; and (B) a tariff for the purchase of any energy produced and not consumed in the period of time established by the authority pursuant to subparagraph (C) of subdivision (1) of this subsection and all renewable energy certificates generated by such facility on a cents-per-kilowatt-hour basis. A residential customer shall select either option authorized pursuant to subparagraph (A) or (B) of this subdivision, consistent with the requirements of this section. Such generation projects shall be sized so as not to exceed the load at the customer's individual electric meter from the electric distribution company providing service to such customer, as determined by such electric distribution company. For purposes of this section, "residential customer" means a customer of a single-family dwelling or a multifamily dwelling consisting of two to four units.

(c) (1) (A) The aggregate total megawatts available to all customers utilizing a procurement and tariff offered by electric distribution companies pursuant to subsection (a) of this section shall be up to eighty-five megawatts in year one and increase by up to an additional eighty-five megawatts per year in each of the years two through six of such a tariff, provided the total megawatts available to customers eligible under subparagraph (A) of subdivision (2) of subsection (a) of this section shall not exceed ten megawatts per year, the total megawatts available to customers eligible under subparagraph (B) of

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subdivision (2) of subsection (a) of this section shall not exceed fifty megawatts per year and the total megawatts available to customers eligible under subparagraph (C) of subdivision (2) of subsection (a) of this section shall not exceed twenty-five megawatts per year. The authority shall monitor the competitiveness of any procurements authorized pursuant to subsection (a) of this section and may adjust the annual purchase amount established in this subsection or other procurement parameters to maintain competitiveness. Any megawatts not allocated in any given year shall not roll into the next year's available megawatts. The obligation to purchase energy and renewable energy certificates shall be apportioned to electric distribution companies based on their respective distribution system loads, as determined by the authority.

(B) The electric distribution companies shall offer any tariffs developed pursuant to subsection (b) of this section for six years. At the end of the tariff term pursuant to subparagraph (B) of subdivision (2) of subsection (b) of this section, residential customers that elected the option pursuant to said subparagraph shall be credited all cents-per-kilowatt-hour charges pursuant to the tariff rate for such customer for energy produced by the Class I renewable energy source against any energy that is consumed in real time by such residential customer.

(C) The authority shall establish tariffs for the purchase of energy on a cents-per-kilowatt-hour basis at the expiration of any tariff terms authorized pursuant to this section.

(2) At the beginning of year six of the procurements authorized pursuant to this subsection, the department, in consultation with the authority, shall assess the tariff offerings pursuant to this section and determine if such offerings are competitive compared to the cost of the technologies. The department shall report, in accordance with section 11-4a of the general statutes, the results of such determination to the General Assembly.

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(3) For any tariff established pursuant to this section, the authority shall examine how to incorporate the following energy system benefits into the rate established for any such tariff: (A) Energy storage systems that provide electric distribution benefits, (B) location of a facility on the distribution system, (C) time-of-use rates or other dynamic pricing, and (D) other energy policy benefits identified in the Comprehensive Energy Strategy prepared pursuant to section 16a-3d of the general statutes.

(d) In accordance with subsection (h) of section 16-245a of the general statutes, as amended by this act, the authority shall determine which of the following two options is in the best interest of ratepayers and shall direct each electric distribution company to either (1) retire the renewable energy certificates it purchases pursuant to subsections (a) and (b) of this section on behalf of all ratepayers to satisfy the obligations of all electric suppliers and electric distribution companies providing standard service or supplier of last resort service pursuant to section 16-245a of the general statutes, as amended by this act, or (2) sell such renewable energy certificates into the New England Power Pool Generation information system renewable energy credit market. The authority shall establish procedures for the retirement of such renewable energy certificates. Any net revenues from the sale of products purchased in accordance with this section shall be credited to customers through a nonbypassable fully reconciling component of electric rates for all customers of the electric distribution company.

(e) The costs incurred by an electric distribution company pursuant to this section shall be recovered on a timely basis through a nonbypassable fully reconciling component of electric rates for all customers of the electric distribution company. Any net revenues from the sale of products purchased in accordance with any tariff offered pursuant to this section shall be credited to customers through the same fully reconciling rate component for all customers of such electric



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distribution company.

Sec. 8. (NEW) (*Effective from passage*) It shall be the policy of the state to reduce energy consumption by not less than 1.6 million MMBtu, or the equivalent megawatts of electricity, as defined in subdivision (4) of section 22a-197 of the general statutes, annually each year for calendar years commencing on and after January 1, 2020, up to and including calendar year 2025.

Sec. 9. Subdivision (1) of subsection (d) of section 16-245m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(d) (1) Not later than November 1, 2012, and every three years thereafter, electric distribution companies, as defined in section 16-1, as amended by this act, in coordination with the gas companies, as defined in section 16-1, as amended by this act, shall submit to the Energy Conservation Management Board a combined electric and gas Conservation and Load Management Plan, in accordance with the provisions of this section, to implement cost-effective energy conservation programs, demand management and market transformation initiatives. All supply and conservation and load management options shall be evaluated and selected within an integrated supply and demand planning framework. Services provided under the plan shall be available to all customers of electric distribution companies and gas companies, [. Each such company shall apply to the Energy Conservation Management Board for reimbursement for expenditures pursuant to the plan] provided a customer of an electric distribution company may not be denied such services based on the fuel such customer uses to heat such customer's home. The Energy Conservation Management Board shall advise and assist the electric distribution companies and gas companies in the development of such plan. The Energy Conservation Management Board shall approve the plan before transmitting it to the

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Commissioner of Energy and Environmental Protection for approval. The commissioner shall, in an uncontested proceeding during which the commissioner may hold a public meeting, approve, modify or reject said plan prepared pursuant to this subsection. Following approval by the commissioner, the board shall assist the companies in implementing the plan and collaborate with the Connecticut Green Bank to further the goals of the plan. Said plan shall include a detailed budget sufficient to fund all energy efficiency that is cost-effective or lower cost than acquisition of equivalent supply, and shall be reviewed and approved by the commissioner. [To the extent that the budget in the plan approved by the commissioner with regard to electric distribution companies exceeds the revenues collected pursuant to subdivision (1) of subsection (a) of this section, the] The Public Utilities Regulatory Authority shall, not later than sixty days after the plan is approved by the commissioner, ensure that the balance of revenues required to fund such [budget] plan is provided through [a] fully reconciling conservation adjustment [mechanism of not more than three mills per kilowatt hour of electricity sold to each end use customer of an electric distribution company during the three years of any Conservation and Load Management Plan] mechanisms. Electric distribution companies shall collect a conservation adjustment mechanism that ensures the plan is fully funded by collecting an amount that is not more than the sum of six mills per kilowatt hour of electricity sold to each end use customer of an electric distribution company during the three years of any Conservation and Load Management Plan. The authority shall ensure that the revenues required to fund such [budget] plan with regard to gas companies are provided through a fully reconciling conservation adjustment mechanism for each gas company of not more than the equivalent of four and six-tenth cents per hundred cubic feet during the three years of any Conservation and Load Management Plan. Said plan shall include steps that would be needed to achieve the goal of weatherization of eighty per cent of the state's residential units by 2030

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and to reduce energy consumption by 1.6 million MMBtu, or the equivalent megawatts of electricity, as defined in subdivision (4) of section 22a-197, annually each year for calendar years commencing on and after January 1, 2020, up to and including calendar year 2025. Each program contained in the plan shall be reviewed by such companies and accepted, modified or rejected by the Energy Conservation Management Board prior to submission to the commissioner for approval. The Energy Conservation Management Board shall, as part of its review, examine opportunities to offer joint programs providing similar efficiency measures that save more than one fuel resource or otherwise to coordinate programs targeted at saving more than one fuel resource. Any costs for joint programs shall be allocated equitably among the conservation programs. The Energy Conservation Management Board shall give preference to projects that maximize the reduction of federally mandated congestion charges.

Sec. 10. Subsection (h) of section 16-245n of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(h) (1) The state of Connecticut does hereby pledge to and agree with any person with whom the Connecticut Green Bank may enter into contracts pursuant to the provisions of this section that the state will not limit or alter the rights hereby vested in said bank until such contracts and the obligations thereunder are fully met and performed on the part of said bank, provided nothing herein contained shall preclude such limitation or alteration if adequate provision shall be made by law for the protection of such persons entering into contracts with said bank. The pledge provided by this subsection shall be interpreted and applied broadly to effectuate and maintain the bank's financial capacity to perform its essential public and governmental function.

(2) The contracts and obligations thereunder of said bank shall be

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obligatory upon the bank, and the bank may appropriate in each year during the term of such contracts an amount of money that, together with other funds of the bank available for such purposes, shall be sufficient to pay such contracts and obligations or meet any contractual covenants or warranties.

Sec. 11. Subdivision (2) of subsection (c) of section 12-264 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(2) For purposes of this subsection, gross earnings from providing electric transmission services or electric distribution services shall include (A) all income classified as income from providing electric transmission services or electric distribution services, as determined by the Commissioner of Revenue Services in consultation with the Public Utilities Regulatory Authority, and (B) the competitive transition assessment collected pursuant to section 16-245g, other than any component of such assessment that constitutes transition property as to which an electric distribution company has no right, title or interest pursuant to subsection (a) of section 16-245h, the systems benefits charge collected pursuant to section 16-245l, the conservation adjustment mechanisms charged under section 16-245m, as amended by this act, and the assessments charged under [sections 16-245m and] section 16-245n, as amended by this act. Such gross earnings shall not include income from providing electric transmission services or electric distribution services to a company described in subsection (c) of section 12-265.

Sec. 12. Subsections (b) to (d), inclusive, of section 16-243q of the general statutes are repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(b) Except as provided in subsection (d) of this section, the Public Utilities Regulatory Authority shall assess each electric supplier and

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each electric distribution company that fails to meet the percentage standards of subsection (a) of this section a charge of up to five and five-tenths cents for each kilowatt hour of electricity that such supplier or company is deficient in meeting such percentage standards. Seventy-five per cent of such assessed charges shall be [deposited in the Energy] used in furtherance of the Conservation and Load Management [Fund] Plan established in section 16-245m, as amended by this act, and twenty-five per cent shall be deposited in the Clean Energy Fund established in section 16-245n, as amended by this act, except that such seventy-five per cent of assessed charges with respect to an electric supplier shall be [divided] allocated among the [Energy] Conservation and Load Management [Funds] Plan of electric distribution companies in proportion to the amount of electricity such electric supplier provides to end use customers in the state using the facilities of each electric distribution company.

(c) An electric supplier or electric distribution company may satisfy the requirements of this section by participating in a conservation and distributed resources trading program approved by the Public Utilities Regulatory Authority. Credits created by conservation and customer-side distributed resources shall be allocated to the person that conserved the electricity or installed the project for customer-side distributed resources to which the credit is attributable and to the [Energy] Conservation and Load Management [Fund] Plan. Such credits shall be made in the following manner: A minimum of twenty-five per cent of the credits shall be allocated to the person that conserved the electricity or installed the project for customer-side distributed resources to which the energy credit is attributable and the remainder of the credits shall be [allocated to the Energy] used in furtherance of the Conservation and Load Management [Fund] Plan, based on a schedule created by the authority no later than January 1, 2007, and reviewed annually thereafter. The authority may, in a proceeding and for good cause shown, allocate a larger proportion of

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such credits to the person who conserved the electricity or installed the customer-side distributed resources. The authority shall consider the proportion of investment made by a ratepayer through various ratepayer-funded incentive programs and the resulting reduction in federally mandated congestion charges. The portion [allocated to the Energy] used in furtherance of the Conservation and Load Management [Fund] Plan shall be used for measures that respond to energy demand and for peak reduction programs.

(d) An electric distribution company providing standard service may contract with its wholesale suppliers to comply with the conservation and customer-side distributed resources standards set forth in subsection (a) of this section. The Public Utilities Regulatory Authority shall annually conduct a contested case, in accordance with the provisions of chapter 54, to determine whether the electric distribution company's wholesale suppliers met the conservation and distributed resources standards during the preceding year. Any such contract shall include a provision that requires such supplier to pay the electric distribution company in an amount of up to five and one-half cents per kilowatt hour if the wholesale supplier fails to comply with the conservation and distributed resources standards during the subject annual period. The electric distribution company shall immediately transfer seventy-five per cent of any payment received from the wholesale supplier for the failure to meet the conservation and distributed resources standards to the [Energy] Conservation and Load Management [Fund] Plan and twenty-five per cent to the Clean Energy Fund. Any payment made pursuant to this section shall not be considered revenue or income to the electric distribution company.

Sec. 13. Section 16-243t of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(a) Notwithstanding the provisions of this title, a customer who implements energy conservation or customer-side distributed



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resources, as defined in section 16-1, as amended by this act, on or after January 1, 2008, shall be eligible for Class III credits, pursuant to section 16-243q, as amended by this act. The Class III credit shall be not less than one cent per kilowatt hour. For nonresidential projects receiving conservation and load management funding, twenty-five per cent of the financial value derived from the credits earned pursuant to this section shall be directed to the customer who implements energy conservation or customer-side distribution resources pursuant to this section with the remainder of the financial value directed [to] in furtherance of the Conservation and Load Management [Funds] Plan. For nonresidential projects not receiving conservation and load management funding submitted on or after March 9, 2007, seventy-five per cent of the financial value derived from the credits earned pursuant to this section shall be directed to the customer who implements energy conservation or customer-side distribution resources pursuant to this section with the remainder of the financial value directed [to] in furtherance of the Conservation and Load Management [Funds] Plan. Not later than July 1, 2007, the Public Utilities Regulatory Authority shall initiate a contested case proceeding in accordance with the provisions of chapter 54, to implement the provisions of this section.

(b) In order to be eligible for ongoing Class III credits, the customer shall file an application that contains information necessary for the authority to determine that the resource qualifies for Class III status. Such application shall (1) certify that installation and metering requirements have been met where appropriate, (2) provide a detailed energy savings or energy output calculation for such time period as specified by the authority, and (3) include any other information that the authority deems appropriate.

(c) For conservation and load management projects that serve residential customers, seventy-five per cent of the financial value

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derived from the credits shall be directed [to] in furtherance of the Conservation and Load Management [Funds] Plan.

Sec. 14. Subsections (d) and (e) of section 16-243v of the general statutes are repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(d) Commencing April 1, 2008, any person may apply to the authority for certification and funding as a Connecticut electric efficiency partner. Such application shall include the technologies that the applicant shall purchase or provide and that have been approved pursuant to subsection (b) of this section. In evaluating the application, the authority shall (1) consider the applicant's potential to reduce customers' electric demand, including peak electric demand, and associated electric charges tied to electric demand and peak electric demand growth, (2) determine the portion of the total cost of each project that shall be paid for by the customer participating in this program and the portion of the total cost of each project that shall be paid for by all electric ratepayers and collected pursuant to subsection (h) of this section. In making such determination, the authority shall ensure that all ratepayer investments maintain a minimum two-to-one payback ratio, and (3) specify that participating Connecticut electric efficiency partners shall maintain the technology for a period sufficient to achieve such investment payback ratio. The annual ratepayer contribution for projects approved pursuant to this section shall not exceed sixty million dollars. Not less than seventy-five per cent of such annual ratepayer investment shall be used for the technologies themselves. No person shall receive electric ratepayer funding pursuant to this subsection if such person has received or is receiving funding from the [Energy] Conservation and Load Management [Funds] Plan for the projects included in said person's application. No person shall receive electric ratepayer funding without receiving a certificate of public convenience and necessity as a Connecticut electric

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efficiency partner by the authority. The authority may grant an applicant a certificate of public convenience if it possesses and demonstrates adequate financial resources, managerial ability and technical competency. The authority may conduct additional requests for proposals from time to time as it deems appropriate. The authority shall specify the manner in which a Connecticut electric efficiency partner shall address measures of effectiveness and shall include performance milestones.

(e) Beginning February 1, 2010, a certified Connecticut electric efficiency partner may only receive funding if selected in a request for proposal developed, issued and evaluated by the authority. In evaluating a proposal, the authority shall take into consideration the potential to reduce customers' electric demand including peak electric demand, and associated electric charges tied to electric demand and peak electric demand growth, including, but not limited to, federally mandated congestion charges and other electric costs, and shall utilize a cost benefit test established pursuant to subsection (c) of this section to rank responses for selection. The authority shall determine the portion of the total cost of each project that shall be paid by the customer participating in this program and the portion of the total cost of each project that shall be paid by all electric ratepayers and collected pursuant to the provisions of this subsection. In making such determination, the authority shall (1) ensure that all ratepayer investments maintain a minimum two-to-one payback ratio, and (2) specify that participating Connecticut electric efficiency partners shall maintain the technology for a period sufficient to achieve such investment payback ratio. The annual ratepayer contribution shall not exceed sixty million dollars. Not less than seventy-five per cent of such annual ratepayer investment shall be used for the technologies themselves. No Connecticut electric efficiency partner shall receive funding pursuant to this subsection if such partner has received or is receiving funding from the [Energy] Conservation and Load

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Management [Funds] Plan for such technology. The authority may conduct additional requests for proposals from time to time as it deems appropriate. The authority shall specify the manner in which a Connecticut electric efficiency partner shall address measures of effectiveness and shall include performance milestones.

Sec. 15. Subsection (e) of section 16-245c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(e) Any municipal electric utility created on or after July 1, 1998, pursuant to section 7-214 or a special act and any municipal electric utility that expands its service area on or after July 1, 1998, shall collect from its new customers the competitive transition assessment imposed pursuant to section 16-245g, the systems benefits charge imposed pursuant to section 16-245l, three mills per kilowatt hour of electricity sold for the conservation adjustment mechanisms described in section 16-245m, as amended by this act, and the assessments charged under [sections 16-245m and] section 16-245n, as amended by this act, in such manner and at such rate as the authority prescribes, provided the authority shall order the collection of said assessment and said charge in a manner and rate equal to that to which the customers would have been subject had the municipal electric utility not been created or expanded.

Sec. 16. Subdivisions (1) and (2) of subsection (a) of section 16-245e of the general statutes are repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(1) "Rate reduction bonds" means bonds, notes, certificates of participation or beneficial interest, or other evidences of indebtedness or ownership, issued pursuant to an executed indenture or other agreement of a financing entity, in accordance with this section and sections 16-245f to 16-245k, inclusive, as amended by this act, the

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proceeds of which are used, directly or indirectly, to provide, recover, finance, or refinance stranded costs or economic recovery transfer, or to sustain funding of conservation and load management and renewable energy investment programs by substituting for disbursements to the General Fund from the [Energy] Conservation and Load Management [Fund] Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, and which, directly or indirectly, are secured by, evidence ownership interests in, or are payable from, transition property;

(2) "Competitive transition assessment" means those nonbypassable rates and other charges, that are authorized by the authority (A) in a financing order in respect to the economic recovery transfer, or in a financing order, to sustain funding of conservation and load management and renewable energy investment programs by substituting disbursements to the General Fund from proceeds of rate reduction bonds for such disbursements from the [Energy] Conservation and Load Management [Fund] Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, or to recover those stranded costs that are eligible to be funded with the proceeds of rate reduction bonds pursuant to section 16-245f, as amended by this act, and the costs of providing, recovering, financing, or refinancing the economic recovery transfer or such substitution of disbursements to the General Fund or such stranded costs through a plan approved by the authority in the financing order, including the costs of issuing, servicing, and retiring rate reduction bonds, (B) to recover those stranded costs determined under this section but not eligible to be funded with the proceeds of rate reduction bonds pursuant to section 16-245f, as amended by this act, or (C) to recover costs determined under subdivision (1) of subsection (e) of section 16-244g. If requested by the electric distribution company, the authority

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shall include in the competitive transition assessment nonbypassable rates and other charges to recover federal and state taxes whose recovery period is modified by the transactions contemplated in this section and sections 16-245f to 16-245k, inclusive, as amended by this act;

Sec. 17. Subdivision (13) of subsection (a) of section 16-245e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(13) "State rate reduction bonds" means the rate reduction bonds issued on June 23, 2004, by the state to sustain funding of conservation and load management and renewable energy investment programs by substituting for disbursements to the General Fund from the [Energy] Conservation and Load Management [Fund] Plan, established by section 16-245m, as amended by this act, and from the Clean Energy Fund, established by section 16-245n, as amended by this act. The state rate reduction bonds for the purposes of section 4-30a shall be deemed to be outstanding indebtedness of the state;

Sec. 18. Subsection (a) of section 16-245f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(a) An electric distribution company shall submit to the authority an application for a financing order with respect to any proposal to sustain funding of conservation and load management and renewable energy investment programs by substituting disbursements to the General Fund from proceeds of rate reduction bonds for such disbursements from the [Energy] Conservation and Load Management [Fund] Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, and may submit to the authority an application for a financing order with respect to the following stranded costs: (1)



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The cost of mitigation efforts, as calculated pursuant to subsection (c) of section 16-245e; (2) generation-related regulatory assets, as calculated pursuant to subsection (e) of section 16-245e; and (3) those long-term contract costs that have been reduced to a fixed present value through the buyout, buydown, or renegotiation of such contracts, as calculated pursuant to subsection (f) of section 16-245e. No stranded costs shall be funded with the proceeds of rate reduction bonds unless (A) the electric distribution company proves to the satisfaction of the authority that the savings attributable to such funding will be directly passed on to customers through lower rates, and (B) the authority determines such funding will not result in giving the electric distribution company or any generation entities or affiliates an unfair competitive advantage. The authority shall hold a hearing for each such electric distribution company to determine the amount of disbursements to the General Fund from proceeds of rate reduction bonds that may be substituted for such disbursements from the [Energy] Conservation and Load Management [Fund] Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, and thereby constitute transition property and the portion of stranded costs that may be included in such funding and thereby constitute transition property. Any hearing shall be conducted as a contested case in accordance with chapter 54, except that any hearing with respect to a financing order or other order to sustain funding for conservation and load management and renewable energy investment programs by substituting the disbursement to the General Fund from the [Energy] Conservation and Load Management [Fund] Plan established by section 16-245m, as amended by this act, and from the Clean Energy Investment Fund established by section 16-245n, as amended by this act, shall not be a contested case, as defined in section 4-166. The authority shall not include any rate reduction bonds as debt of an electric distribution company in determining the capital structure of the company in a rate-making proceeding, for calculating the

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company's return on equity or in any manner that would impact the electric distribution company for rate-making purposes, and shall not approve such rate reduction bonds that include covenants that have provisions prohibiting any change to their appointment of an administrator of the [Energy] Conservation and Load Management [Fund. Nothing in this subsection shall be deemed to affect the terms of subsection (b) of section 16-245m] Plan.

Sec. 19. Subsections (a) and (b) of section 16-245i of the general statutes are repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(a) The authority may issue financing orders in accordance with sections 16-245e to 16-245k, inclusive, as amended by this act, to fund the economic recovery transfer, to sustain funding of conservation and load management and renewable energy investment programs by substituting disbursements to the General Fund from proceeds of rate reduction bonds for such disbursements [from the Energy] in furtherance of the Conservation and Load Management [Fund] Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, and to facilitate the provision, recovery, financing, or refinancing of stranded costs. Except for a financing order in respect to the economic recovery revenue bonds, a financing order may be adopted only upon the application of an electric distribution company, pursuant to section 16-245f, as amended by this act, and shall become effective in accordance with its terms only after the electric distribution company files with the authority the electric distribution company's written consent to all terms and conditions of the financing order. Any financing order in respect to the economic recovery revenue bonds shall be effective on issuance.

(b) (1) Notwithstanding any general or special law, rule, or regulation to the contrary, except as otherwise provided in this

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subsection with respect to transition property that has been made the basis for the issuance of rate reduction bonds, the financing orders and the competitive transition assessment shall be irrevocable and the authority shall not have authority either by rescinding, altering, or amending the financing order or otherwise, to revalue or revise for rate-making purposes the stranded costs, or the costs of providing, recovering, financing, or refinancing the stranded costs, the amount of the economic recovery transfer or the amount of disbursements to the General Fund from proceeds of rate reduction bonds substituted for such disbursements ~~[from the Energy]~~ in furtherance of the Conservation and Load Management [Fund] Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, determine that the competitive transition assessment is unjust or unreasonable, or in any way reduce or impair the value of transition property either directly or indirectly by taking the competitive transition assessment into account when setting other rates for the electric distribution company; nor shall the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement, or termination.

(2) Notwithstanding any other provision of this section, the authority shall approve the adjustments to the competitive transition assessment as may be necessary to ensure timely recovery of all stranded costs that are the subject of the pertinent financing order, and the costs of capital associated with the provision, recovery, financing, or refinancing thereof, including the costs of issuing, servicing, and retiring the rate reduction bonds issued to recover stranded costs contemplated by the financing order and to ensure timely recovery of the costs of issuing, servicing, and retiring the rate reduction bonds issued to sustain funding of conservation and load management and renewable energy investment programs contemplated by the financing order, and to ensure timely recovery of the costs of issuing, servicing

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and retiring the economic recovery revenue bonds issued to fund the economic recovery transfer contemplated by the financing order.

(3) Notwithstanding any general or special law, rule, or regulation to the contrary, any requirement under sections 16-245e to 16-245k, inclusive, as amended by this act, or a financing order that the authority take action with respect to the subject matter of a financing order shall be binding upon the authority, as it may be constituted from time to time, and any successor agency exercising functions similar to the authority and the authority shall have no authority to rescind, alter, or amend that requirement in a financing order. Section 16-43 shall not apply to any sale, assignment, or other transfer of or grant of a security interest in any transition property or the issuance of rate reduction bonds under sections 16-245e to 16-245k, inclusive, as amended by this act.

Sec. 20. Subparagraph (A) of subdivision (4) of subsection (c) of section 16-245j of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(4) (A) The proceeds of any rate reduction bonds, other than economic recovery revenue bonds, shall be used for the purposes approved by the authority in the financing order, including, but not limited to, disbursements to the General Fund in substitution for such disbursements [from the Energy] in furtherance of the Conservation and Load Management [Fund] Plan established by section 16-245m, as amended by this act, and from the Clean Energy Fund established by section 16-245n, as amended by this act, the costs of refinancing or retiring of debt of the electric distribution company, and associated federal and state tax liabilities; provided such proceeds shall not be applied to purchase generation assets or to purchase or redeem stock or to pay dividends to shareholders or operating expenses other than taxes resulting from the receipt of such proceeds.

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Sec. 21. Subdivision (3) of subsection (d) of section 16-245m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(3) Programs included in the plan developed under subdivision (1) of this subsection shall be screened through cost-effectiveness testing that compares the value and payback period of program benefits for all energy savings to program costs to ensure that programs are designed to obtain energy savings and system benefits, including mitigation of federally mandated congestion charges, whose value is greater than the costs of the programs. Program cost-effectiveness shall be reviewed by the Commissioner of Energy and Environmental Protection annually, or otherwise as is practicable, and shall incorporate the results of the evaluation process set forth in subdivision (4) of this subsection. If a program is determined to fail the cost-effectiveness test as part of the review process, it shall either be modified to meet the test or shall be terminated, unless it is integral to other programs that in combination are cost-effective. On or before March 1, 2005, and on or before March first annually thereafter, the board shall provide a report, in accordance with the provisions of section 11-4a, to the joint standing committees of the General Assembly having cognizance of matters relating to energy and the environment that documents (A) expenditures and fund balances and evaluates the cost-effectiveness of such programs conducted in the preceding year, and (B) the extent to and manner in which the programs of such board collaborated and cooperated with programs, established under section 7-233y, of municipal electric energy cooperatives. To maximize the reduction of federally mandated congestion charges, programs in the plan may allow for disproportionate allocations between the amount of contributions [to the Energy Conservation and Load Management Funds] pursuant to this section by a certain rate class and the programs that benefit such a rate class. Before conducting such evaluation, the board shall consult with the board of directors of the

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Connecticut Green Bank. The report shall include a description of the activities undertaken during the reporting period.

Sec. 22. Subdivision (1) of subsection (f) of section 16-245n of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(f) (1) The board shall issue annually a report to the Department of Energy and Environmental Protection reviewing the activities of the Connecticut Green Bank in detail and shall provide a copy of such report, in accordance with the provisions of section 11-4a, to the joint standing committees of the General Assembly having cognizance of matters relating to energy and commerce. The report shall include a description of the programs and activities undertaken during the reporting period jointly or in collaboration with the [Energy] Conservation and Load Management [Funds] Plan established pursuant to section 16-245m, as amended by this act.

Sec. 23. Subsection (b) of section 16-245w of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(b) The Public Utilities Regulatory Authority shall design a process for determining a fee to be paid by customers who have installed self-generation facilities in order to offset any loss or potential loss in revenue from such facilities toward the competitive transition assessment, the systems benefits charge, [the conservation and load management assessment] the conservation adjustment mechanisms collected under section 16-245m, as amended by this act, and the Clean Energy Fund assessment collected under section 16-245n, as amended by this act. Except as provided in subsection (c) of this section, such fee shall apply to customers who have installed self-generation facilities that begin operation on or after July 1, 1998.

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Sec. 24. Subsection (d) of section 16-258d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2020*):

(d) The Public Utilities Regulatory Authority shall ensure that the revenues required to fund such incentive payments made pursuant to this section are provided through a fully reconciling conservation adjustment mechanism, which shall not exceed more than nine million dollars in total for the program established under this section, provided (1) such revenues shall be in addition to the revenues authorized to fund the [conservation and load management fund] Conservation and Load Management Plan pursuant to section 16-245m, as amended by this act, and (2) such revenues exceeding two million dollars required to fund such incentive payments shall be paid over a period of not less than two years. Such revenues shall only be collected from the gas customers of the company in whose service area such district heating system is located.

Sec. 25. Section 4-141 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

As used in this chapter:

(1) "Claim" means a petition for the payment or refund of money by the state or for permission to sue the state;

(2) "Just claim" means a claim which in equity and justice the state should pay, provided the state has caused damage or injury or has received a benefit;

(3) "Person" means any individual, firm, partnership, corporation, limited liability company, association or other group, including political subdivisions of the state;

(4) "State agency" includes every department, division, board, office,



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commission, arm, agency and institution of the state government, whatever its title or function; and

(5) "State officers and employees" includes (A) every person elected or appointed to or employed in any office, position or post in the state government, whatever such person's title, classification or function and whether such person serves with or without remuneration or compensation, including judges of probate courts, employees of such courts and special limited conservators appointed by such courts pursuant to section 17a-543a, and (B) attorneys appointed as victim compensation commissioners, attorneys appointed by the Public Defender Services Commission as public defenders, assistant public defenders or deputy assistant public defenders and attorneys appointed by the court as Division of Public Defender Services assigned counsel, individuals appointed by the Public Defender Services Commission, or by the court, as a guardian ad litem or attorney for a party in a neglect, abuse, termination of parental rights, delinquency or family with service needs proceeding, the Attorney General, the Deputy Attorney General and any associate attorney general or assistant attorney general, any other attorneys employed by any state agency, any commissioner of the Superior Court hearing small claims matters or acting as a fact-finder, arbitrator or magistrate or acting in any other quasi-judicial position, any person appointed to a committee established by law for the purpose of rendering services to the Judicial Department, including, but not limited to, the Legal Specialization Screening Committee, the State-Wide Grievance Committee, the Client Security Fund Committee, the advisory committee appointed pursuant to section 51-81d and the State Bar Examining Committee, any member of a multidisciplinary team established by the Commissioner of Children and Families pursuant to section 17a-106a, the Municipal Electric Consumer Advocate selected pursuant to section 7-121f, the Independent Consumer Advocate selected pursuant to section 7-334a, and any physicians or

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psychologists employed by any state agency. "State officers and employees" does not include any medical or dental intern, resident or fellow of The University of Connecticut when (i) the intern, resident or fellow is assigned to a hospital affiliated with the university through an integrated residency program, and (ii) such hospital provides protection against professional liability claims in an amount and manner equivalent to that provided by the hospital to its full-time physician employees.

Sec. 26. Subsection (h) of section 7-233c of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(h) A municipal electric energy cooperative shall cause a forensic examination to be conducted by a certified forensic auditor which shall include a review of the revenue and expenditures of a municipal electric energy cooperative for the preceding five years. The auditor shall submit [(1) a report that includes an opinion regarding the financial statements and a management letter, and (2) a report that includes an opinion on conformance of the operating procedures of the municipal electric energy cooperative] a report that includes a review of whether such municipal electric energy cooperative's operating procedures conform with the provisions of chapter 101a and the bylaws of the municipal electric energy cooperative, and any recommendations for any corrective actions needed to ensure such conformance. The auditor shall not be required to perform a full financial audit of the five-year period or submit an opinion regarding the financial statements or a management letter. The municipal electric energy cooperative shall post on its Internet web site and provide to participants such reports not later than seven days after such reports are received by the municipal electric energy cooperative. Each participant shall post on its Internet web site and provide to the municipality in which it operates such reports not later than five days

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after such reports are received from the municipal electric energy cooperative. Each such municipality shall post on its Internet web site such reports not later than five days after such reports are received from the participant.

Sec. 27. Subdivision (20) of subsection (a) of section 16-1 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(20) "Class I renewable energy source" means (A) electricity derived from (i) solar power, (ii) wind power, (iii) a fuel cell, (iv) geothermal, (v) landfill methane gas, anaerobic digestion or other biogas derived from biological sources, (vi) thermal electric direct energy conversion from a certified Class I renewable energy source, (vii) ocean thermal power, (viii) wave or tidal power, (ix) low emission advanced renewable energy conversion technologies, including, but not limited to, zero emission low grade heat power generation systems based on organic oil free rankine, kalina or other similar nonsteam cycles that use waste heat from an industrial or commercial process that does not generate electricity, (x) (I) a run-of-the-river hydropower facility that began operation after July 1, 2003, and has a generating capacity of not more than thirty megawatts, or (II) a run-of-the-river hydropower facility that received a new license after January 1, 2018, under the Federal Energy Regulatory Commission rules pursuant to 18 CFR 16, as amended from time to time, and provided a facility that applies for certification under this clause after January 1, 2013, shall not be based on a new dam or a dam identified by the commissioner as a candidate for removal, and shall meet applicable state and federal requirements, including applicable site-specific standards for water quality and fish passage, or (xi) a biomass facility that uses sustainable biomass fuel and has an average emission rate of equal to or less than .075 pounds of nitrogen oxides per million BTU of heat input for the previous calendar quarter, except that energy derived from a biomass facility

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with a capacity of less than five hundred kilowatts that began construction before July 1, 2003, may be considered a Class I renewable energy source, or (B) any electrical generation, including distributed generation, generated from a Class I renewable energy source, provided, on and after January 1, 2014, any megawatt hours of electricity from a renewable energy source described under this subparagraph that are claimed or counted by a load-serving entity, province or state toward compliance with renewable portfolio standards or renewable energy policy goals in another province or state, other than the state of Connecticut, shall not be eligible for compliance with the renewable portfolio standards established pursuant to section 16-245a, as amended by this act;

Sec. 28. Subsection (b) of section 16-245a of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(b) (1) An electric supplier or electric distribution company may satisfy the requirements of this section ~~[(1)]~~ (A) by purchasing certificates issued by the New England Power Pool Generation Information System, provided the certificates are for ~~[(A)]~~ (i) energy produced by a generating unit using Class I or Class II renewable energy sources and the generating unit is located in the jurisdiction of the regional independent system operator, or ~~[(B)]~~ (ii) energy imported into the control area of the regional independent system operator pursuant to New England Power Pool Generation Information System Rule 2.7(c), as in effect on January 1, 2006; ~~[(2)]~~ (B) for those renewable energy certificates under contract to serve end use customers in the state on or before October 1, 2006, by participating in a renewable energy trading program within said jurisdictions as approved by the Public Utilities Regulatory Authority; or ~~[(3)]~~ (C) by purchasing eligible renewable electricity and associated attributes from residential customers who are net producers. (2) Not more than one per cent of

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the total output or services of an electric supplier or electric distribution company shall be generated from Class I renewable energy sources eligible as described in subparagraph (A)(x)(II) of subdivision (20) of subsection (a) of section 16-1, as amended by this act.

Sec. 29. Subsection (e) of section 16a-3i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2018*):

(e) Notwithstanding subdivision (1) of subsection (b) of section 16-245a, as amended by this act, in the event that (1) for any calendar year commencing on or after January 1, 2014, there is such a presumption pursuant to subsection (a) of this section, (2) the commissioner finds material shortage of Class I renewable energy sources pursuant to subsection (b) of this section, (3) there is a determination of inadequacy pursuant to subsection (c) of this section, and (4) any contracts for Class I renewable energy sources approved by the Public Utilities Regulatory Authority pursuant to subsection (d) of this section yield an amount of Class I renewable energy sources that is insufficient to rectify any projected shortage pursuant to subsection (c) of this section, then commencing on or after January 1, 2016, the commissioner may allow not more than one percentage point of the Class I renewable portfolio standards established pursuant to section 16-245a, as amended by this act, effective for the succeeding and subsequent calendar years to be satisfied by large-scale hydropower procured pursuant to section 16a-3g. The requirements applicable to electric suppliers and electric distribution companies pursuant to section 16-245a, as amended by this act, shall consequently be reduced by not more than one percentage point in proportion to the commissioner's action, provided (A) the commissioner shall not allow a total of more than five percentage points of the Class I renewable portfolio standard to be met by large-scale hydropower by December 31, 2020, and (B) no

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such large-scale hydropower shall be eligible to trade in the New England Power Pool Generation Information System renewable energy credit market.

Sec. 30. Subsection (c) of section 16-19f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) Each municipal electric company shall (1) [within two years] not later than July 1, 2018, consider and determine whether it is appropriate to implement any of the following rate design standards: (A) Cost of service; (B) prohibition of declining block rates; (C) time of day rates; (D) seasonal rates; (E) interruptible rates; and (F) load management techniques, and (2) not later than June 1, 2017, consider and determine whether it is appropriate to implement electric vehicle time of day rates for residential and commercial customers. The consideration of said standards by each municipal electric company shall be made after public notice and hearing. Each municipal electric company shall make a determination on whether it is appropriate to implement any of said standards. Said determination shall be in writing, shall take into consideration the evidence presented at the hearing and shall be available to the public. A standard shall be deemed to be appropriate for implementation if such implementation would encourage energy conservation, optimal and efficient use of facilities and resources by a municipal electric company and equitable rates for electric consumers. No municipal electric company that completed such consideration and determination regarding any rate design standard or electric vehicle time of day rate before July 1, 2017, shall be required to conduct another consideration and determination regarding the same such rate design standard or electric vehicle time of day rate.

Sec. 31. Section 16a-3h of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective*

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*from passage):*

On or after October 1, 2013, the Commissioner of Energy and Environmental Protection, in consultation with the procurement manager identified in subsection (l) of section 16-2, the Office of Consumer Counsel and the Attorney General, may solicit proposals, in one solicitation or multiple solicitations, from providers of the following resources or any combination of the following resources: Run-of-the-river hydropower, landfill methane gas, biomass, fuel cell, offshore wind or anaerobic digestion, provided such source meets the definition of a Class I renewable energy source pursuant to section 16-1, as amended by this act, or energy storage systems. In making any selection of such proposals, the commissioner shall consider factors, including, but not limited to (1) whether the proposal is in the interest of ratepayers, including, but not limited to, the delivered price of such sources, (2) the emissions profile of a relevant facility, (3) any investments made by a relevant facility to improve the emissions profile of such facility, (4) the length of time a relevant facility has received renewable energy credits, (5) any positive impacts on the state's economic development, (6) whether the proposal is consistent with requirements to reduce greenhouse gas emissions in accordance with section 22a-200a, including, but not limited to, the development of combined heat and power systems, (7) whether the proposal is consistent with the policy goals outlined in the Comprehensive Energy Strategy adopted pursuant to section 16a-3d, (8) whether the proposal promotes electric distribution system reliability and other electric distribution system benefits, including, but not limited to, microgrids, (9) whether the proposal promotes the policy goals outlined in the state-wide solid waste management plan developed pursuant to section 22a-241a, and (10) the positive reuse of sites with limited development opportunities, including, but not limited to, brownfields or landfills, as identified by the commissioner in any solicitation issued pursuant to this section. The commissioner may select proposals from



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such resources to meet up to [four] six per cent of the load distributed by the state's electric distribution companies, provided the commissioner shall not select proposals for more than three per cent of the load distributed by the state's electric distribution companies from offshore wind resources. The commissioner may direct the electric distribution companies to enter into power purchase agreements for energy, capacity and environmental attributes, or any combination thereof, for periods of not more than twenty years on behalf of all customers of the state's electric distribution companies. Certificates issued by the New England Power Pool Generation Information System for any Class I renewable energy sources procured under this section may be: (A) Sold in the New England Power Pool Generation Information System renewable energy credit market to be used by any electric supplier or electric distribution company to meet the requirements of section 16-245a, as amended by this act, provided the revenues from such sale are credited to all customers of the contracting electric distribution company; or (B) retained by the electric distribution company to meet the requirements of section 16-245a, as amended by this act. In considering whether to sell or retain such certificates, the company shall select the option that is in the best interest of such company's ratepayers. Any such agreement shall be subject to review and approval by the Public Utilities Regulatory Authority, which review shall be completed not later than sixty days after the date on which such agreement is filed with the authority. The net costs of any such agreement, including costs incurred by the electric distribution companies under the agreement and reasonable costs incurred by the electric distribution companies in connection with the agreement, shall be recovered through a fully reconciling component of electric rates for all customers of electric distribution companies. All reasonable costs incurred by the Department of Energy and Environmental Protection associated with the commissioner's solicitation and review of proposals pursuant to this section shall be recoverable through the nonbypassable federally mandated congestion

***Substitute Senate Bill No. 9***

charges, as defined in section 16-1, as amended by this act.

Sec. 32. Subdivision (1) of subsection (a) and subsection (b) of section 16-245m of the general statutes are repealed. (*Effective January 1, 2020*)

Approved May 24, 2018

**CMEEC did not retain or request CohnReznick to perform any procedures, opine, comment or respond to CMEEC's responses within this Exhibit V.**

**Exhibit V – Management’s Responses to the Findings and Recommendations  
Identified in the Report**

**SECTION IV - OPINION ON CONFORMANCE OF THE OPERATING PROCEDURES  
IN ACCORDANCE WITH CMEEC’s BY-LAWS**

**Finding 1 – Vendor Payments Paid by Check:**

With the exception of the “Spend with Questionable Business Purpose” discussed below, the spending referenced in Finding 1 occurred in connection with Board Retreat and Event expenditures which have previously been identified, both formally and informally, as appearing inconsistent with CMEEC’s purpose, and CMEEC has taken action accordingly. Subsequent to the review period of 2013-2017, to ensure conformance going forward, the CMEEC Board of Directors in May of 2018 adopted a Travel Policy covering both CMEEC Board Members and CMEEC Employees which requires that:

- Travel and all associated expenses must be for a demonstrated business purpose and must be reasonable in terms of distance and expense;
- Travel and all associated expenses must be subject to specified review and approval:
  - Board Member travel must be pre-approved by the Chairperson of the CMEEC Board of Directors and the CEO;
  - General employee travel must be pre-approved by the requesting party’s immediate Director and, if applicable, Supervisor;
  - CEO travel is subject to review and approval by the CFO;
- Receipts and invoices must be provided before reimbursement is possible, and the cost of meals and any other legitimate travel-related expenses are tied to a per diem IRS rate;
- Air travel is at normal coach airfare rates only;
- Strategic retreats must be held in the State of Connecticut, approved by the Board, do not include gifts and entertainment and must include business meetings; and
- Travel expenses or reimbursement for spouses, relatives or other companions or colleagues is prohibited.

Action taken subsequent to the review period 2013-2017 also includes the adoption by the CMEEC Board of Directors on March 30, 2018 of an Ethics and Conflict of Interest Policy. This policy requires CMEEC Board Members and CMEEC Employees to act only in the public interest in connection with their CMEEC duties and to avoid actual and apparent conflicts of interest. The Policy also prohibits the giving or receiving of gifts or any benefit to or from a person, business entity, public official or government employee in excess of \$100.

The “Spend with Questionable Business Purpose” identified in Finding 1 is a reference to an employee event held annually in 2014, 2015 and 2016 in which all CMEEC staff participated in records management activities, such as reviewing emails and documents on the CMEEC system for retention in accordance with CMEEC’s record retention policy approved by the State of Connecticut. While CMEEC does not agree that the above event

has a “questionable business purpose,” at the direction of CMEEC’s Interim CEO, commencing in early January 2019, CMEEC will be conducting training for all employees to reinforce the requirements for support and documentation for expense authorization and reimbursement. Such expense authorization and reimbursement will be required to meet a standard of reasonableness that is demonstrably linked to a business purpose and must be accompanied by substantiating documentary evidence, including in the case of meetings and events a record of attendees and topics discussed.

Since 2017, CMEEC has been implementing best practices with respect to expense authorization and reimbursement and will continue that effort by, among other things, continuing to have Finance and Accounting staff review documentation submitted with expense authorization and reimbursement requests and monitoring compliance with the Travel and Ethics and Conflict of Interest policies. The Controller has been charged with conducting this review and will continue this role until all employees have been trained as provided above.

## **Finding 2 – Vendor Payments Paid by P-Card:**

The vast percentage of the spending referenced in Finding 2 occurred in connection with Board Retreat and Event expenditures which have previously been identified, both formally and informally, as appearing inconsistent with CMEEC’s purpose, and CMEEC has taken action accordingly. After the review period of 2013-2017, to ensure conformance going forward, the CMEEC Board of Directors in May of 2018 adopted a Travel Policy covering both CMEEC Board Members and CMEEC Employees which requires that:

- Travel and all associated expenses must be for a demonstrated business purpose and must be reasonable in terms of distance and expense;
- Travel and all associated expenses must be subject to specified review and approval:
  - Board Member travel must be pre-approved by the Chairperson of the CMEEC Board of Directors and the CEO;
  - General employee travel must be pre-approved by the requesting party’s immediate Director and, if applicable, Supervisor;
  - CEO travel is subject to review and approval by the CFO;
- Receipts and invoices must be provided before reimbursement is possible, and the cost of meals and any other legitimate travel-related expenses are tied to a per diem IRS rate;
- Air travel is at normal coach airfare rates only;
- Strategic retreats must be held in the State of Connecticut, approved by the Board, do not include gifts and entertainment and must include business meetings; and
- Travel expenses or reimbursement for spouses, relatives or other companions and colleagues is prohibited.

Action taken subsequent to the review period 2013-2017 also includes the adoption by the CMEEC Board of Directors on March 30, 2018 of an Ethics and Conflict of Interest Policy. This policy requires CMEEC Board Members and CMEEC Employees to act only in the public interest in connection with their CMEEC duties and to avoid actual

and apparent conflicts of interest. The Policy also prohibits the giving or receiving of gifts or any benefit to or from a person, a business entity, public official or government employee in excess of \$100.

With respect to the “Spend with Questionable Business Purpose” and “Spending with No Support” identified in Finding 2, at the direction of CMEEC’s Interim CEO, commencing in early January 2019, CMEEC will be conducting training for all employees to reinforce the requirements for support and documentation for expense authorization and reimbursement. Such expense authorization and reimbursement will be required to meet a standard of reasonableness that is demonstrably linked to a business purpose and must be accompanied by substantiating documentary evidence, including in the case of meetings and events a record of attendees and topics discussed.

Since 2017, CMEEC has been implementing best practices with respect to expense authorization and reimbursement and will continue that effort by, among other things, continuing to have Finance and Accounting staff review documentation submitted with requests for approval of P-Card expenses and monitoring compliance with the Travel and Ethics and Conflict of Interest policies. The Controller has been charged with conducting this review and will continue this role until all employees have been trained as provided above.

In addition, in connection with vehicle maintenance expenses, employees who have use of CMEEC-owned vehicles will be specifically instructed that invoices for repairs to CMEEC-owned vehicles must reference the make and model of the vehicle being repaired.

### **Finding 3 – Vendor Payments Paid via Wire Disbursements:**

The vast percentage of the spending referenced in Finding 3 occurred in connection with Board Retreat and Event expenditures which have previously been identified, both formally and informally, as appearing inconsistent with CMEEC’s purpose, and CMEEC has taken action accordingly. Subsequent to the review period of 2013-2017, to ensure conformance going forward, the CMEEC Board of Directors in May of 2018 adopted a Travel Policy covering both CMEEC Board Members and CMEEC Employees which requires that:

- Travel and all associated expenses must be for a demonstrated business purpose and must be reasonable in terms of distance and expense;
- Travel and all associated expenses must be subject to specified review and approval:
  - Board Member travel must be pre-approved by the Chairperson of the CMEEC Board of Directors and the CEO;
  - General employee travel must be pre-approved by the requesting party’s immediate Director and, if applicable, Supervisor;
  - CEO travel is subject to review and approval by the CFO;
- Receipts and invoices must be provided before reimbursement is possible, and the cost of meals and any other legitimate travel-related expenses are tied to a per diem IRS rate;

- Air travel is at normal coach airfare rates only;
- Strategic retreats must be held in the State of Connecticut, approved by the Board, do not include gifts and entertainment and must include business meetings; and
- Travel expenses or reimbursement for spouses, relatives or other companions and colleagues is prohibited.

Action taken subsequent to the review period 2013-2017 also includes the adoption by the CMEEC Board of Directors on March 30, 2018 of an Ethics and Conflict of Interest Policy. This policy requires CMEEC Board Members and CMEEC Employees to act only in the public interest in connection with their CMEEC duties and to avoid actual and apparent conflicts of interest. The Policy also prohibits the giving or receiving gifts or any benefit to or from a person, a business entity, public official or government employee in excess of \$100.

With respect to the “Spend with Questionable Business Purpose” and identified in Finding 3, at the direction of CMEEC’s Interim CEO, commencing in early January 2019, CMEEC will be conducting training for all employees to reinforce the requirements for support and documentation for expense authorization and reimbursement. Such expense authorization and reimbursement will be required to meet a standard of reasonableness that is demonstrably linked to a business purpose and must be accompanied by substantiating documentary evidence, including in the case of meetings and events a record of attendees and topics discussed.

Since 2017, CMEEC has been implementing best practices with respect to expense authorization and reimbursement and will continue that effort by, among other things, continuing to have Finance and Accounting staff review documentation submitted with expense authorization and reimbursement requests and monitoring compliance with the Travel and Ethics and Conflict of Interest policies. The Controller has been charged with conducting this review and will continue this role until all employees have been trained as provided above.

#### **Finding 4 – Other expenditures:**

The spending referenced in Finding 4 has previously been identified, both formally and informally, for review. Since 2017, CMEEC has been implementing best practices with respect to expense authorization and reimbursement and will continue that effort by, among other things, continuing to have Finance and Accounting staff review documentation submitted with expense authorization and reimbursement requests and monitoring compliance with the Travel and Ethics and Conflict of Interest policies. The Controller has been charged with conducting this review and will continue this role until all employees have been trained as provided above.

#### **Finding 5 - Contributions:**

CMEEC makes charitable donations to charitable and civic organizations that promote economic development in communities where CMEEC operates. This activity is in line with economic development contributions made to organizations in their communities by other joint action agencies across the country, including the New Hampshire Electric

Cooperative, Basin Electric Cooperative, Bandera Electric Cooperative and South Texas Electric Cooperative.

## **SECTION V - RECOMMENDATIONS FOR CORRECTIVE ACTION TO ENSURE CONFORMANCE WITH CHAPTER 101a AND CMEEC'S BY-LAWS**

### **Recommendation 1 – Expenditures:**

CMEEC is in agreement with this recommendation.

### **Recommendation 2 – Contributions:**

CMEEC is in agreement with this recommendation and is taking action by developing a policy for applying for and distributing charitable contributions that is in conformance with CMEEC's Ethics and Conflict of Interest Policy.

## **SECTION VI- REVIEW OF REVENUE AND EXPENDITURES OF CMEEC FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 THROUGH DECEMBER 31, 2017**

### **Finding 1 – Revenue and Cost Allocations:**

This Finding relates to a \$73.57 understated Generation Service Charge and Addition to the Rate Stabilization Fund of the revenues and cost allocations in the period of the review from 2013-2017. CMEEC will conduct a more thorough review of its "true up" reconciliation to avoid any misstatements in the future.

### **Finding 2 – Economic Development Fund Withdrawals:**

The resolution authorizing the creation of an Economic Development Fund also created an adder for Conservation and Load Management Funds, both of which are referenced in the audited financial statements as "Special Funds". Other funds designated Special Funds include the Debt Service Reserve Account (for depositing the debt service reserve funds required by the CMEEC bond resolution) and the Municipal Trusts. As the financial statement audit states, these funds are held by CMEEC solely for the use of its Members. CMEEC has no control or discretion with respect to the use of these funds by Members and administers the funds by investing the funds and maintaining account balances only as a service to its Members. Therefore, the statement by CohnReznick that they were not able to verify from CMEEC records that the funds were used for economic development is accurate, but not within CMEEC's control. This is an issue best addressed by the entity that requested the use of the funds.

With respect to the recommendation that CMEEC remits economic development funds directly to the Members on a monthly basis, CMEEC invests the dollars associated with the economic development funds on behalf of its Members in accordance with its Investment Policy. To automatically remit funds on a monthly basis would decrease the yield to members. Instead, CMEEC will adopt a procedure to remit funds to the Member that requests it, not directly to the end-use recipient.





Independent Member of Nexia International

[cohnreznick.com](http://cohnreznick.com)

## Kevin Barber

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**From:** Lane, Michael <mlane@cmeec.org>  
**Sent:** Friday, December 28, 2018 8:50 PM  
**To:** David Brown; David Brown; David Collard; David Westmoreland; Dawn Del Greco; Deb Goldstein; Demicco, Louis; Grace Jones; Jeffrey Godley; Johnson, Pete; Kachmar, Ellen; Keith Hedrick; Kenneth Comfort; Kevin Barber; Kipnis, Robin; Lane, Michael; LaRose, Christopher; Mark Oefinger; Ralph Winslow; Richard Tanger; Ronald Gaudet; Ron Scofield; Stewart Peil; Sullivan, Kenneth; Throwe, Richard; Winslow, Ralph; Yatcko, Paul  
**Cc:** Chernovitsky, Bella; Connell, Justin; Kipnis, Robin; Lane, Michael; Pagragan, Jacob; Rall, Mike; Whittier, Scott  
**Subject:** FW: CMEEC Coverage  
**Attachments:** CMEEC releases forensic audit.pdf

Dear Board of Directors and CMEEC Management team,

Informing:

Please see below articles released this evening regarding the posting of the Forensic Examination Report on CMEEC's website.

Thanks  
Mike

Michael Lane  
CMEEC Interim CEO

Office: 860-425-3209  
Cell: 860-917-7629  
30 Stott Avenue  
Norwich, CT 06360



*Energizing Customers and Community Prosperity*

**From:** Ashley McGeary <AMcGeary@SARDVERB.com>  
**Sent:** Friday, December 28, 2018 8:27 PM  
**Subject:** CMEEC Coverage

Below please find a recent coverage on CMEEC. Please note that the article title has changed in second article, from *The Bulletin*. We've attached a PDF of the additional article changes as well.

Best,  
Ashley

Ashley McGeary  
Sard Verbinnen & Co (SIVIC)  
1717 Pennsylvania Avenue, Washington, D.C. 20006 | 202.318.3800 | sardverb.com

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## **CMEEC forensic audit questioned board expenses, payments to Sullivan**

The Day

By Claire Besette

28 December 2018

A state-mandated five-year forensic audit of the Connecticut Municipal Electric Energy Cooperative's books showed that so-called "board retreats and expenses" totaled nearly \$1.2 million from 2013 through 2016, and the cooperative paid \$66,000 to its former chairman for lobbying expenses with no supporting documentation.

The audit appears to confirm findings released by federal authorities in two indictments that charged five CMEEC officials with federal corruption charges in connection with their leadership roles in CMEEC's hosting of lavish trips to the Kentucky Derby from 2013 through 2016, a 2015 trip to a West Virginia golf resort and luxury gifts for participants.

Cooperative CEO Drew Rankin, Chief Financial Officer Edward Pryor, Norwich Public Utilities General Manager John Bilda, former CMEEC board Chairman James Sullivan and former board member Edward DeMuzzio face one count each of conspiracy and three counts of theft from a program receiving federal funding.

Sullivan and Rankin face the same four charges in a second indictment claiming Sullivan received reimbursement for nearly \$100,000 for personal expenses and travel from CMEEC funds, much of which was called lobbying expenses in CMEEC books.

Rankin and Pryor were placed on unpaid leave by the CMEEC board, and Bilda is on paid leave pending internal investigations by both the CMEEC board and the Norwich utilities commission. CMEEC named finance and accounting director Mike Lane as interim CEO.

"Based on our procedures performed, we noted \$66,061 paid to James Sullivan for lobbying and other expenditures," the forensic audit by CohnReznick said in one of its findings. "Given that we (a) have not requested or reviewed any supporting documents or (b) have not been provided with the business purpose of certain of these expenses, we are unable to determine whether the James Sullivan related expenditures are in compliance with Chapter 101a and CMEEC's By-Laws."

In its responses to the audit, CMEEC officials told the auditors that the Sullivan expenses have been "previously identified, both formally and informally, for review." The response said CMEEC accounting staff are reviewing expenses and reimbursements for compliance with CMEEC ethics and conflict of interest policies.

CohnReznick was hired by CMEEC last spring to conduct the five-year forensic audit called for in a 2017 state law mandating stricter controls on the cooperative, owned by six municipally owned utilities in the state: Norwich Public Utilities, Groton Utilities, Bozrah Light & Power, Jewett City Department of Public Utilities, South Norwalk Electric and Water and the Third Taxing District in Norwalk.

"Based on our procedures performed and the sample we tested, we noted several expense categories, during the period 2013 through 2017, that appeared inconsistent with CMEEC's purpose," the auditors wrote.

The auditors found that board retreat and expenses totaled \$1,179,300 over the four-year period, with a refund back to CMEEC of \$90,129 received in 2017. Another \$10,000 was noted as for a "questionable business purpose." The federal indictments included information that CMEEC made deposits for a planned 2017 Kentucky Derby trip that was canceled when publicity about the trips caused public outcry and prompted state legislative action.

The auditors also checked samples of expenses paid by check, by wire transfer and by purchase cards. In its sample test of purchase cards, for example, the auditors reviewed \$187,475 in board retreat and expense spending, and of that, \$73,499 was noted as “questionable business purposes,” and another \$12,080 had no supporting documentation.

In a news release issued Friday upon release of the forensic audit, CMEEC officials said a number of changes have been implemented already in response to some of the findings and the recommendations in the audit report. A restriction placed in the new state law, changes to CMEEC bylaws and a new ethics policy now prohibit CMEEC retreats from being held out of state and stipulate that they must include actual business meetings and must be pre-approved by the board.

“Under the supervision of the Controller, Finance and Accounting staff are reviewing documentation submitted with expense authorization and reimbursement requests and monitoring compliance with the Travel and the Ethics and Conflict of Interest policies,” the release stated, “and at the direction of CMEEC’s Interim-CEO, commencing in early January 2019, CMEEC will be conducting training for all employees to reinforce the requirements for support and documentation for expense authorization and reimbursement.”

“The completion of this examination by CohnReznick marks an important step forward for CMEEC,” interim CEO Lane said in a statement in the release. “The findings and recommendations relate in large measure to the Board retreat and event expenditures that have previously been identified. CMEEC has and continues to put in place new rules and policies to strengthen our internal controls and ensure we are always acting in a way that is consistent with our mission to provide reliable, low cost energy solutions to our members and customers.”

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#### **Audit: CMEEC paid \$66K to ex-chairman for unknown reason**

The Bulletin, Norwich

By Kevin Aherne

28 December 2018

NORWICH — A forensic audit of the Connecticut Municipal Energy and Electric Cooperative revealed that the energy provider’s operating procedures failed to conform with its bylaws in five areas including \$66,061 paid to its former chairman with no clear business purpose.

The Connecticut Municipal Energy and Electric Cooperative released Friday the results of the forensic examination report conducted by outside auditors of the organization’s revenues and expenditures for fiscal years 2013-2017.

According to one of the findings listed under “Other expenditures” says auditors “noted \$66,061 paid to James Sullivan for lobbying and other expenditures. Given that we (a) have not requested or reviewed any supporting documents or (b) have not been provided with the business purpose of certain of these expenses, we are unable to determine whether the James Sullivan related expenditures are in compliance with Chapter 101a and CMEEC’s By-Laws.”

Sullivan, of Norwich, is facing up to 70 years in prison after being charged with several federal crimes this year as a result of an FBI investigation.

CohnReznick LLP was hired in June to conduct a forensic audit of CMEEC’s expenditures for the previous five years. The audit was initiated after The Bulletin first reported CMEEC and city officials had partaken in a \$340,000 lavish trip to the Kentucky Derby in 2016. In all, four trips had been taken to the Derby over the years.

As a result of the trips to the Kentucky Derby, and a trip to the lavish Greenbriar Resort in West Virginia, the FBI investigated CMEEC’s expenditures, resulting in federal indictments for Sullivan, board member and now-suspended general manager of Norwich Public Utilities John Bilda, CMEEC’s now-suspended CEO Drew Rankin, now-suspended Chief Financial Officer Edward Pryor and Edward DeMuzzio of Groton, a former board member. They were charged with

several federal crimes through two indictments. Bilda, DeMuzzio and Pryor are each facing up to 35 years in federal prison and Rankin is looking at a possible 70 years.

CohnReznick's examination included a review of CMEEC's compliance with Connecticut statutory requirements and CMEEC's bylaws. The full report is posted on CMEEC's website and provided to its members, and it will be provided to the Connecticut General Assembly as part of CMEEC's annual report filing.

Other findings in the report include:

Vendor Payments Paid by Check: "Based on our procedures performed and the sample we tested, we noted several expense categories, during the period 2013 through 2017, that appeared inconsistent with CMEEC's purpose:

Board retreat & event spend: \$1,179,300  
Refund of event spend: (\$90,129)  
Spend with questionable business purpose: \$10,000  
Total: \$1,099,171"

Vendor Payments Paid by P-Card Payments: "Certain CMEEC expenses were executed with P-Cards (Purchasing Cards). Based on our procedures performed and the sample we tested, the P-Card transactions that appeared contrary to CMEEC's business purpose are set forth below:

Board retreat & event spend: \$187,475  
Spend with questionable business purpose: \$73,499  
Spending with no support: \$12,080  
Total: \$273,054"

Vendor Payments Paid via Wire Disbursements: "Based on our procedures performed and the sample we tested, we noted the following wire executed transactions that appear contrary to CMEEC's purpose are set forth below:

Board retreat & event spend: \$60,989  
Spend with questionable business purpose: \$33,840  
Total: \$94,829"

Contributions: "Based on our procedures performed and the sample we tested, we noted payments to four (4) vendors totaling \$208,022. These payments were recorded as contribution payments and they appeared inconsistent with CMEEC's operating procedures and its By-Laws."

In response to the findings, the report made a pair of recommendations for corrective action. Regarding expenditures, the auditors recommend organizational expenses incurred and paid be aligned with CMEEC's purpose "as stated in CMEEC's By-Laws" and the utility cooperative abide by the parameters for retreats, gifts and entertainment according to not only state law but its own bylaws.

As for the contributions, the auditors "recommend CMEEC develop a written policy regarding charitable contributions and gifts that is voted on and approved by the CMEEC Board of Directors."

In addition to CohnReznick's findings and recommendations, the report details the responses provided by CMEEC's management. The responses provide additional context and outline a number of actions CMEEC has taken to strengthen its internal controls including:

-Since 2017, CMEEC has been implementing best practices with respect to ensuring that all expense authorization and reimbursement is reasonable, demonstrably linked to a business purpose and includes substantiating documentary evidence.

-The CMEEC Board of Directors adopted on March 30, 2018 an Ethics and Conflict of Interest Policy.

-The CMEEC Board of Directors adopted on May 23, 2018 a Travel Policy covering both CMEEC Board Members and CMEEC Employees;

-Under the supervision of the Controller, Finance and Accounting staff are reviewing documentation submitted with expense authorization and reimbursement requests and monitoring compliance with the Travel and the Ethics and Conflict of Interest policies; and

-At the direction of CMEEC's Interim-CEO, commencing in early January 2019, CMEEC will be conducting training for all employees to reinforce the requirements for support and documentation for expense authorization and reimbursement.

"The completion of this examination by CohnReznick marks an important step forward for CMEEC," Interim CEO Mike Lane said in a statement. "The findings and recommendations relate in large measure to the Board retreat and event expenditures that have previously been identified.

Lane's statement continued: "CMEEC has and continues to put in place new rules and policies to strengthen our internal controls and ensure we are always acting in a way that is consistent with our mission to provide reliable, low cost energy solutions to our members and customers."

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Sard Verbinen & Co

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## List CMEEC

\* - Bill Number prefix denotes actions since last business day

## - TRACKED BILLS

Bill #	Title / Statement of Purpose	Public Hearing Date	Committee Actions	File No.	House Actions	Senate Actions	Governor's Actions / Act No's.	Other Actions
Proposed HB-5002	AN ACT CONCERNING THE DEVELOPMENT OF A GREEN NEW DEAL. To create new programs concerning and to provide funding for energy efficiency, renewable energy, sustainability and resiliency. House Cal: Senate Cal:				01-09 HCO - REF. TO JOINT COMM. ON ET			
Proposed HB-5003	AN ACT IMPLEMENTING A PAID FAMILY MEDICAL LEAVE PROGRAM. To allow Connecticut workers to take off time with pay to care for sick or injured family members. House Cal: Senate Cal:		01-15 LAB - Vote to Draft		01-09 HCO - REF. TO JOINT COMM. ON LAB			
Proposed HB-5004	AN ACT RAISING THE MINIMUM FAIR WAGE. To raise the minimum fair wage in the state of Connecticut. House Cal: Senate Cal:		01-15 LAB - Vote to Draft		01-09 HCO - REF. TO JOINT COMM. ON LAB			
Proposed HB-5025	AN ACT CONCERNING A TAX CREDIT FOR BUSINESSES THAT PROVIDE PAID FAMILY AND MEDICAL LEAVE. To provide a tax credit for businesses that provide paid family and medical leave to employees. House Cal: Senate Cal:				01-09 HCO - REF. TO JOINT COMM. ON FIN			
Proposed HB-5039	AN ACT REQUIRING ATTRIBUTIONS ON CERTAIN LOBBYIST MATERIALS. To increase transparency in lobbyist efforts to influence legislators on issues. House Cal: Senate Cal:				01-09 HCO - REF. TO JOINT COMM. ON GAE			
Proposed HB-5054	AN ACT CONCERNING THE AUDITING OF CERTAIN MUNICIPAL ENTITIES. To require certain municipal entities to conduct independent audits every two years. House Cal: Senate Cal:				01-09 HCO - REF. TO JOINT COMM. ON PD			
Proposed HB-5312	AN ACT CONCERNING VEGETATION MANAGEMENT WITHIN UTILITY PROTECTION ZONES. To improve the notification requirements and process by which customers are informed and give consent for tree and shrub cutting work in utility protection zone property that is located on private property. House Cal: Senate Cal:				01-15 HCO - REF. TO JOINT COMM. ON ENV			
Proposed HB-5383	AN ACT REQUIRING THE ADOPTION OF RECOMMENDATIONS OF CERTAIN FORENSIC EXAMINATIONS. To require the adoption of the recommendations of certain forensic examinations. House Cal: Senate Cal:				01-16 HCO - REF. TO JOINT COMM. ON ET			
Proposed HB-5409	AN ACT PROHIBITING THE DIVERSION OF FUNDS FOR ENERGY EFFICIENCY PROGRAMS. To prohibit the diversion of funds for energy efficiency programs. House Cal: Senate Cal:				01-16 HCO - REF. TO JOINT COMM. ON FIN			
Proposed HB-5658	AN ACT CONCERNING LIGHTS ON POLICE VEHICLES. To restrict the use of steady illuminated red and blue lights to police vehicles only. House Cal: Senate Cal:				01-18 HCO - REF. TO JOINT COMM. ON PS			
Proposed HB-5735	AN ACT ESTABLISHING A TAX CREDIT FOR BUSINESSES THAT PROVIDE PAID FAMILY AND MEDICAL LEAVE.				01-22 HCO - REF. TO			



Bill # ↕	Title / Statement of Purpose	Public Hearing Date	Committee Actions	File No.	House Actions	Senate Actions	Governor's Actions / Act No's.	Other Actions
	To provide a tax credit for businesses that provide paid family and medical leave.				JOINT COMM. ON LAB			
	House Cal: Senate Cal:							
Proposed HB-5882	AN ACT CONCERNING EMPLOYEE FAMILY AND MEDICAL LEAVE. To provide enhanced financial security to Connecticut families.				01-23 HCO - REF. TO JOINT COMM. ON LAB			
	House Cal: Senate Cal:							
Proposed HB-5921	AN ACT REQUIRING CARBON MONOXIDE DETECTORS IN BUSINESSES. To promote the safety of workers and customers by ensuring that businesses are equipped with carbon monoxide detection and warning equipment.				01-23 HCO - REF. TO JOINT COMM. ON PS			
	House Cal: Senate Cal:							
Proposed HB-5989	AN ACT CONCERNING PROTECTION FOR CERTAIN BUSINESS DATA HOLDERS IN THE EVENT OF A DATA BREACH. To offer protection to certain business data holders in the event of a data breach.				01-24 HCO - REF. TO JOINT COMM. ON ET			
	House Cal: Senate Cal:							
Proposed HB-6023	AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS THAT PROVIDE PAID FAMILY AND MEDICAL LEAVE BENEFITS AND AUTHORIZING A FAMILY AND MEDICAL LEAVE ACCOUNTS PROGRAM. To establish a tax credit for employers that provide paid family and medical leave benefits and to authorize the Treasurer to establish a family and medical leave benefits accounts program.				01-24 HCO - REF. TO JOINT COMM. ON FIN			
	House Cal: Senate Cal:							
Proposed HB-6299	AN ACT CONCERNING CAPTIVE AUDIENCE MEETINGS. To prohibit an employer from coercing employees into attending or participating in meetings sponsored by the employer concerning the employer's views on political or religious matters.				01-25 HCO - REF. TO JOINT COMM. ON JUD			
	House Cal: Senate Cal:							
Proposed HB-6422	AN ACT REQUIRING UTILITY COMPANIES TO PROVIDE DISCOUNTS TO CERTAIN CUSTOMERS WITH CHRONIC MEDICAL CONDITIONS. To require utility companies to provide discounts to certain customers with chronic medical conditions.				01-28 HCO - REF. TO JOINT COMM. ON ET			
	House Cal: Senate Cal:							
Proposed HB-6731	AN ACT CONCERNING PAID FAMILY AND MEDICAL LEAVE. To create a paid family and medical leave program for certain employees.				01-29 HCO - REF. TO JOINT COMM. ON LAB			
	House Cal: Senate Cal:							
Proposed HB-6741	AN ACT CONCERNING NOTICE TO EMPLOYERS REGARDING UNEMPLOYMENT COMPENSATION CLAIMS. To provide adequate notice to employers when an employee files for unemployment compensation benefits.				01-29 HCO - REF. TO JOINT COMM. ON LAB			
	House Cal: Senate Cal:							
Proposed SB-1	AN ACT CONCERNING PAID FAMILY AND MEDICAL LEAVE. To create a paid family and medical leave program.		01-15 LAB - Vote to Draft			01-09 SCO - REF. TO JOINT COMM. ON LAB		
	House Cal: Senate Cal:							
Proposed SB-2	AN ACT INCREASING THE MINIMUM FAIR WAGE. To establish a minimum wage of fifteen dollars per hour in the state.		01-15 LAB - Vote to Draft			01-09 SCO - REF. TO JOINT COMM. ON LAB		
	House Cal: Senate Cal:							
Proposed SB-74	AN ACT ESTABLISHING CARBON PRICING. To accelerate the transition away from fossil fuels and toward clean energy.					01-17 SCO - REF. TO JOINT COMM. ON ENV		
	House Cal: Senate Cal:							
Proposed SB-159	AN ACT CONCERNING PAID FAMILY AND MEDICAL LEAVE. To require businesses with two or more employees to provide twelve weeks of					01-22 SCO - REF. TO JOINT		

Bill #	Title / Statement of Purpose	Public Hearing Date	Committee Actions	File No.	House Actions	Senate Actions	Governor's Actions / Act No's.	Other Actions
	paid family and medical leave per year.					COMM. ON LAB		
	House Cal: Senate Cal:							
Proposed SB-214	AN ACT REQUIRING THE AUDITORS OF PUBLIC ACCOUNTS TO CONDUCT FINANCIAL AND PERFORMANCE AUDITS OF MUNICIPAL ELECTRIC ENERGY COOPERATIVES.					01-23 SCO - REF. TO JOINT COMM. ON ET		
	To require the Auditors of Public Accounts to conduct financial and performance audits of municipal electric energy cooperatives.							
	House Cal: Senate Cal:							
Proposed SB-215	AN ACT REQUIRING MUNICIPAL ELECTRIC ENERGY COOPERATIVES AND MUNICIPAL ELECTRIC UTILITIES TO SEEK RECOVERY OF CERTAIN LEGAL COSTS AND EXPENSES.					01-23 SCO - REF. TO JOINT COMM. ON ET		
	To require municipal electric energy cooperatives and municipal electric utilities to seek recovery of certain legal costs and expenses.							
	House Cal: Senate Cal:							
Proposed SB-216	AN ACT REQUIRING MUNICIPAL ELECTRIC ENERGY COOPERATIVES TO DISCLOSE CERTAIN INFORMATION REGARDING INVOICES.					01-23 SCO - REF. TO JOINT COMM. ON ET		
	To require municipal electric energy cooperatives to disclose certain information regarding invoices.							
	House Cal: Senate Cal:							
Proposed SB-217	AN ACT REQUIRING MUNICIPAL ELECTRIC ENERGY COOPERATIVES TO MAINTAIN FUNDING FOR THEIR RATEPAYER ADVOCATES.					01-23 SCO - REF. TO JOINT COMM. ON ET		
	To require municipal electric energy cooperatives to maintain funding for their ratepayer advocates.							
	House Cal: Senate Cal:							
Proposed SB-218	AN ACT REQUIRING MUNICIPAL ELECTRIC ENERGY COOPERATIVES AND MUNICIPAL ELECTRIC COMPANIES TO PROVIDE CERTAIN DETAILED INFORMATION AND DISCLOSURES.					01-23 SCO - REF. TO JOINT COMM. ON ET		
	To require municipal electric energy cooperatives and municipal electric companies to provide certain detailed information and disclosures.							
	House Cal: Senate Cal:							
Proposed SB-219	AN ACT REQUIRING A FINANCIAL AUDIT OF MUNICIPAL ELECTRIC ENERGY COOPERATIVES.					01-23 SCO - REF. TO JOINT COMM. ON ET		
	To require a financial audit of municipal electric energy cooperatives.							
	House Cal: Senate Cal:							
Proposed SB-220	AN ACT CONCERNING CERTAIN SOLAR POWER FACILITIES AND NET METERING CREDITS FOR MUNICIPALITIES WHERE SUCH FACILITIES ARE LOCATED.					01-23 SCO - REF. TO JOINT COMM. ON ET		
	To allow certain municipalities to receive net metering credits generated by certain solar power facilities within such municipalities.							
	House Cal: Senate Cal:							
Proposed SB-350	AN ACT PROTECTING EMPLOYERS WHO TERMINATE OR REFUSE TO HIRE AN EMPLOYEE BECAUSE OF A FAILED MARIJUANA DRUG TEST.					01-23 SCO - REF. TO JOINT COMM. ON JUD		
	To insulate an employer from a civil action that is related to firing or refusing to hire an employee because of a positive marijuana test.							
	House Cal: Senate Cal:							
Proposed SB-440	AN ACT PROHIBITING CAPTIVE AUDIENCE MEETINGS.					01-23 SCO - REF. TO JOINT COMM. ON JUD		
	To prohibit an employer from coercing employees into attending or participating in meetings sponsored by the employer concerning the employer's views on political or religious matters.							
	House Cal: Senate Cal:							
Proposed SB-469	AN ACT CONCERNING UTILITY RESPONSE TIMES FOR RESTORATION OF ELECTRIC SERVICE AND UTILITY MINIMUM STAFFING LEVELS.					01-24 SCO - REF. TO JOINT COMM. ON ET		
	To require improved utility response times for restoration of electric service after power outages and to establish minimum staffing levels for utility line crews and related utility employee positions.							
	House Cal: Senate Cal:							

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Proposed SB-509	AN ACT ESTABLISHING A PAID FAMILY AND MEDICAL LEAVE PROGRAM.  To establish a paid family and medical leave program.  House Cal: Senate Cal:					01-24 SCO - REF. TO JOINT COMM. ON LAB		
Proposed SB-697	AN ACT CONCERNING NONDISCLOSURE AGREEMENTS IN THE WORKPLACE.  To prohibit the silencing of victims in the workplace and to prevent sexual harassment by repeat offenders.  House Cal: Senate Cal:					01-28 SCO - REF. TO JOINT COMM. ON LAB		
Proposed SB-761	AN ACT ESTABLISHING A PRIVATE RIGHT OF ACTION AGAINST AN EMPLOYER WHO FAILS TO PROVIDE HONEST RECOMMENDATIONS WHEN ASKED TO PROVIDE A REFERENCE FOR A JOB APPLICANT.  To ensure that an individual who provides a reference for an employee does not intentionally conceal information concerning acts of sexual harassment or assault committed by the employee.  House Cal: Senate Cal:					01-29 SCO - REF. TO JOINT COMM. ON JUD		
Proposed SB-765	AN ACT ENSURING FAIR AND EQUAL PAY FOR EQUAL WORK.  To ensure all employees receive fair and equal pay for equal work.  House Cal: Senate Cal:					01-29 SCO - REF. TO JOINT COMM. ON LAB		